SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1965

No. 73

UNITED STATES, Appellant,

vs.

GRINNELL CORPORATION, ET AL.

No. 74

GRINNELL CORPORATION, Appellant,

vs.

UNITED STATES

No. 75

AMERICAN DISTRICT TELEGRAPH COMPANY, Appellant,

vs.

UNITED STATES

No. 76

HOLMES ELECTRIC PROTECTIVE COMPANY, Appellant,

vs.

UNITED STATES

No. 77

AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Appellant,

vs.

UNITED STATES

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Exhibit Volume V

INDEX

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
GOVERNMENT'S EXHIBITS—Continued		
No. 329—Excerpts of deposition testimony of Malcolm Goldstone, Central Office Alarm Company, Inc.	3778	2647
No. 330—Excerpts of deposition testimony of Malcolm Goldstone, Owl Protective Company, General Burglar Alarm Company	3895	2705
No. 331—Excerpts of deposition testimony of Harold W. Gray, American Burglar Alarm Co. (Pacific Extinguisher Co.)	3955	2735
No. 333—Excerpts of deposition testimony of Sarah E. Jackson, Denver Burglar Alarm Company	4043	2784
No. 334—Excerpts of deposition testimony of Edward J. Lavino, Sentinel Alarm Corporation	4142	2841
No. 336—Excerpts of deposition testimony of Thomas M. Lewin, Automatic Alarm Corporation	4170	2854
No. 337—Excerpts of deposition testimony of Gerald J. Linder, American Fire Dispatch, Inc.	4233	2879
No. 338—Excerpts of deposition testimony of Thomas L. Lugen, Fidelity Electronic Protective Service	4253	2888
No. 339—Excerpts of deposition testimony of James H. McDowell, Central Station Signals, Inc.	4280	2897
No. 340—Excerpts of deposition testimony of Kenneth S. McFarlan, Jr., Republic Alarm Company	4341	2919
No. 341—Excerpts of deposition testimony of Peter J. Neumann, Albany Protective Service	4389	2933
No. 342—Excerpts of deposition testimony of Ephraim B. Oberlander, Protection Alarms, Inc.	4414	2943
No. 343—Excerpts of deposition testimony of Arthur T. Orner, Morse Signal Devices, Inc.	4461	2961
No. 345—Excerpts of deposition testimony of Shelton Phillips, Potter Electric Signal Company of Ohio	4501	2974
No. 346—Excerpts of deposition testimony of Donald D. Pillsbury, National Bureau of Casualty Underwriters	4527	2980
No. 347—Excerpts of deposition testimony of Henry J. Poile, Kedzie-Kane Alarm Co.	4558	3004
No. 348—Excerpts of deposition testimony of Charles C. Porch, Factory Mutual Rating Bureau	4599	3019

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
GOVERNMENT'S EXHIBITS—Continued		
No. 349—Excerpts of deposition testimony of Walter W. Richardson, American Alarm Company, Inc.	4621	3027
No. 351—Excerpts of deposition testimony of James E. Rose, Michigan Still Alarm Co.	4647	3035
No. 352—Excerpts of deposition testimony of George W. Saunders, Underwriters Laboratories	4730	3069
No. 355—Excerpts of deposition testimony of George A. Smith, Smith Detective Agency & Nightwatch Service	4755	3079
No. 356—Excerpts of deposition testimony of Maurice G. Sondock, McCane-Sondock Detective Agency	4796	3102
No. 357—Excerpts of deposition testimony of Sidney Stackler, Central Watch Service	4819	3113
No. 358—Excerpts of deposition testimony of Lee C. Underdown, Central Alarm Company	4924	3152
No. 359—Excerpts of deposition testimony of Lyle and Joe Underdown, Central Alarm Company	4934	3159
No. 360—Excerpts of deposition testimony of Alex Venners, Federal Engineering Company, Inc.	4950	3169
No. 361—Excerpts of deposition testimony of Ira E. Warlick, Reliance Protective, Inc.	4984	3185
No. 362—Excerpts of deposition testimony of Morris F. Weinstock, Morse Signal Devices of California	5004	3198
No. 363—Excerpts of deposition testimony of Samuel G. Wight, Central Alarm Company, Ltd.	5077	3229
DEFENDANTS' EXHIBITS		
A—Schedule of Defendant alarm companies proposed objections to plaintiff's documents—For identification	5100	3242
B—Defendant Grinnell objections to Government documents—For identification	5104	3245
E-1—Minimum basic service charges effective January 1, 1960	5105	3246
E-2—Minimum basic advance service charges effective April 1, 1962	5107	3249
F—Form 701 dated August 1962	5109	3251
G—Form 400 dated February 1963	5110	3252
H-1—Summary in tabular form of contents of Exhibit H—Vocational Listing of Subscribers	5111	3253

Exhibit Volume VI

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
DEFENDANTS' EXHIBITS—Continued		
I—Letter from L. J. O'Brien to C. L. Chafee, dated September 12, 1955 re: Procter & Gamble Company, Cincinnati, Ohio	5126	3270
F—68-80—Twelve tabulated exhibits and one list of book cities dated October 1, 1962 admitted at completion of testimony of Edward Gaston	5128	3273
J—Summary statement of local alarm accounts in five cities, based on Form 400	5446	3591
K—List of city of Everett, Massachusetts master boxes	5484	3629
L—List of city of Lynn, Massachusetts Police Department connections, (acting Chief George W. Donnelly), dated June 16, 1964	5486	3631
M—List of Everett, Massachusetts Police Station connections (Bradford V. Elliott, Chief of Police), dated June 16, 1964	5488	3632
N—List of master boxes and heat detection connections, Braintree, Massachusetts, Fire Department Headquarters	5489	3633
O—List of Braintree, Massachusetts, Police Department connections	5496	3638
P—List of auxiliary connections in the Fire Department, Lynn City, Massachusetts	5498	3639
Q—List of Weymouth Fire Department direct connected and auxiliary alarm connections	5500	3640
R—List of Brockton Municipal connections, dated December 31, 1963	5502	3643
S—List of Boston Municipal connections, dated January 7, 1963	5503	3644
T—List of Salem Municipal connections, dated January 8, 1964	5504	3645
U—List of U.S. Government contracts (not security classified), December 31, 1963	5505	3647
V—Area list of Government installations, Continental United States, January 1, 1964	5547	3666
W(a)—List of ADT central station SS&WF subscribers in Natick, Needham and Newton, Massachusetts	5549	3667
Z-1—ADT contract form for modified central station service	5550	3669
Z-2—ADT contract form for central station protective signalling service	5552	3673
Z-3—ADT contract form for central station burglary and holdup protection service	5554	3677
Z-4—ADT contract form for direct connected service	5555	3679

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANTS' EXHIBITS—Continued		
Z-5—ADT contract form for local alarm service	5556	3681
K-1—ADT contract form for local alarm service (customer owned system)	5557	3683
L-1—List of representative installations made by ADT using systems and equipment made by others	5558	3685
M-1—List of representative systems installed by others, and sold outright to subscriber, where ADT was called in to restore service, and/or to provide a central station connection	5559	3685
U-1—Letter from Stanley N. Barnes, Assistant Attorney General, Antitrust Division to Frank A. Fritz, dated July 14, 1955	5560	3686
V-1—Statement of (ADT) Company's Revenues, gross and net balance sheet assets and indicated ratios, 1959 to 1963	5561	3687
W-1—Ratio of net earnings to gross assets, net assets and net worth (ADT), 1947 to 1963	5562	3688
X-1—Commercial Circular No. 197, supplement No. 21, dated July 25, 1960, from L. J. O'Brien regarding outright sales prices marked "Confidential"	5563	3689
Y-1—List of offices showing annual and advance service charges secured in excess of minimum basic rates, 1957 to 1962	5564	3690
Z-1—Letter from L. J. O'Brien to J. A. MacDonald, dated August 16, 1960 re Pricing Policy Memorandum from ADT Special Representative J. R. Norris to ADT Commercial Superintendent C. L. Chafee, captioned National Can Corp., Cleveland, Ohio, dated July 23, 1954 (copy) (omitted in printing)	5572 5579	3696 3704
LL—Price Waterhouse & Company letter dated May 27, 1964 to The Board of Directors of ADT with Appendices A, B & C	5580	3705
MM(1-20)—Table of detailed financial data on a city-to-city basis regarding divestiture	5589	3717
NN—Statement of revenue and expenses—1963, New Orleans central station (ADT)	5674	3805
OO—Statement of revenue and expenses—1963, Richmond central station (ADT)	5675	3807
PP—Summary of ADT deficit offices in 1963	5676	3809
QQ—Analysis of advance service charges, city by city, 1957 to 1963	5677	3811
RR—List of advance service charges amortized on a city-to-city basis. Detail of Reply to Government Interrogatory No. 17	5700	3833

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
DEFENDANTS' EXHIBITS—Continued		
SS—Memorandum of J. A. MacDonald dated June 17, 1952 regarding discussions with Grinnell Corporation on June 16, 1952	5705	3839
UU—ADT Board of Directors minutes of June 11, 1952 (excerpts)	5710	3846
VV—Excerpts of ADT Board of Directors minutes for July 9, 1952	5712	3848
WW—Arthur D. Little, Inc. report on U.S. Market for electric protection services, 1961 to 1962	5724	3863
WW-1—Biographical summaries of Messrs. Gottlieb, Frankel & Peters	5806	3947
Exhibit Volume VII		
XX—Interview guide used in conjunction with Arthur D. Little, Inc. survey	5809	3951
YY—Two Sanborn maps of Dubuque, Iowa	5813	3955
ZZ—Interviewer's materials relating to survey of of Dubuque, Iowa—Audit & Surveys, Inc., Forms 1, 2, 3, 4 & 5, Job #1232	5815	3957
AB—Q4 by Q23, amount of square feet occupied—this tabulation is related to Exhibit ZZ. Job #1232	5853	3991
AC—Q4 by Q24, number of employees—this tabulation is related to Exhibit ZZ. Job #1232	5854	3992
AD—Q4 by type of business establishment, types of establishments—this tabulation is related to Exhibit ZZ. Job #1232	5855	3993
AE—Letters from L. J. O'Brien to District Sales Managers, dated April 4, 1956; December 2, 1957; August 7, 1959; August 29, 1960; November 23, 1960; re Form 701	5856	3995
AF—General Services Administration correspondence from September 20, 1962 to January 2, 1963	5861	3998
C-1—C-5—Defendant Alarm Companies objections to plaintiff's designations of deposition testimony	5893	4029
DEFENDANT GRINNELL CORPORATION'S EXHIBITS		
J-2—1950 Annual Report of the Grinnell Corporation	5899	4050
J-5—1953 Annual Report of the Grinnell Corporation	5912	4064
J-39—Index to Grinnell Corporation Catalog, dated 1960	5923	4075

Record from the United States District Court for the District of Rhode Island—Continued
Defendant Grinnell Corporation's Exhibits—Continued

	Original	Print
J-40—AFA Company Balance Sheet, dated December 31, 1948	5936	4110
J-43—Agreement dated February 28, 1949 between Grinnell Corp. and Marine Midland Trust Co. of New York	5938	4111
J-44—Minutes of the Executive Committee of the Board of Directors, Grinnell Corp., March 23, 1949 (excerpts)	5941	4113
J-45—Letter from W. G. Hampton, Assistant Vice President, New York Telephone Co. to J. D. Fleming, President Grinnell Corp., dated February 20, 1950	5943	4114
Income statements of Holmes Electric Protective Company for the years 1921-1949	5944	4117
J-47—Agreement dated April 14, 1950 between New York Telephone Co. and Grinnell Corp.	5946	4120
J-48—Closing Memorandum (undated)	5996	4158
J-49—Letter from W. J. Klickhauf, Apple-Cole Co., to J. D. Fleming, dated May 4, 1953	6001	4163
J-50—Agreement dated June 16, 1953 between Western Union Telegraph Co. and Grinnell Corp. with Exhibits A-E	6002	4164
J-51—Loan Agreement, dated July 27, 1953 between Grinnell Corp. and the Equitable Life Assurance Society (excerpts)	6035	4199
J-52—Letter from Stanley N. Barnes, Assistant Attorney General to J. D. Fleming, dated June 29, 1953	6052	4205
J-53—Letter from Roger T. Clapp to W. D. Gaillard, Jr., Milbank, Tweed, Hope & Hadley, dated July 2, 1953	6054	4206
J-54—Letter from Roger T. Clapp to M. J. Bloomer, Jr., Wickes, Riddell, Bloomer, Jacobi & McGuire, dated July 2, 1953	6055	4207
J-55—Letter from Stanley N. Barnes, Assistant Attorney General to Frank A. Fritz, dated July 23, 1953	6057	4208
J-56—Letter from Frank A. Fritz to Ephraim Jacobs, Department of Justice, Antitrust Division, dated July 13, 1953	6058	4209
J-59—Memo dated July 24, 1950 from Roger T. Clapp to Department Managers, Fire Protection Division	6063	4212
J-60—Memo dated June 10, 1963 from Roger T. Clapp to Department Managers, Fire Protection Division	6064	4214

	Original	Print
Record from the United States District Court for the District of Rhode Island—Continued		
DEFENDANT GRINNELL CORPORATION'S EXHIBITS—Continued		
J-62—Memo dated February 20, 1954 from O. L. Swats, Manager, Fire Protection Division to Department Managers, Contracting Engineers, et al.	6065	4215
J-65—Memo dated April 21, 1950 from H. C. Ward to All Holmes Employees	6066	4216
J-66—Letter from J. A. MacDonald to Roger T. Clapp dated June 24, 1953	6068	4218
J-69—Memorandum of Material for Discussion with Messrs. Gaston and MacDonald on June 16	6070	4219
J-70—Letter from Bleakley, Platt, et al. to the Equitable Life Assurance Society, dated July 23, 1953	6076	4226
J-74—Minutes of a special meeting of the Board of Directors of the Grinnell Corporation dated June 2, 1953	6077	4227
J-75—Statement showing "1928-1937 Earnings Data"—Grinnell Corporation	6079	4229
J-75(1)—General Fire Extinguisher Co.—Report of the Treasurer To The Board of Directors for Twelve Months Ended December 31, 1928 (excerpts)	6080	4230
J-75(2)—Ended December 31, 1929 (excerpts)	6087	4238
J-75(3)—Ended December 31, 1930 (excerpts)	6094	4246
J-75(4)—Ended December 31, 1931 (excerpts)	6101	4254
J-75(5)—Ended December 31, 1932 (excerpts)	6114	4262
J-75(6)—Ended December 31, 1933 (excerpts)	6125	4270
J-75(7)—Ended December 31, 1934 (excerpts)	6134	4277
J-75(8)—Ended December 31, 1935 (excerpts)	6143	4285
J-75(9)—Ended December 31, 1936 (excerpts)	6154	4293
J-75(10)—Ended December 31, 1937 (excerpts)	6163	4301
J-76—Plaintiff's Answers to Certain Interrogatories of Alarm Company Defendants	6172	4309
Appendix A—Letter from Stanley N. Barnes, Assistant Attorney General to Frank A. Fritz, dated July 23, 1953 (copy) (omitted in printing)	6187	4318
Appendix B—Letter from Stanley N. Barnes, Assistant Attorney General to J. D. Fleming, dated June 29, 1953 (copy) (omitted in printing)	6188	4318
Appendix C—Letter from Frank A. Fritz to Ephraim Jacobs, Department of Justice, Antitrust Division, dated July 13, 1953 (copy) (omitted in printing)	6190	4318
J-77—Balance sheet and income statements of AFA as of June 30, 1948	6195	4319

Record from the United States District Court for the District of Rhode Island—Continued

Defendant ADT's Exhibits	Original	Print
A9—Memo dated December 15, 1952 from J. L. Hardesty to H. R. Eakin, Plant Superintendent, captioned Competition—Washington, D. C.... —Memo dated December 22, 1952 from J. B. Bodley to A. E. Smith captioned "Federal Engineering Co., Inc., Washington, D. C.....	6201	4323
A13—Memo dated September 29, 1953 from A. E. Smith to J. A. MacDonald captioned Westchester County..... —Memo dated September 14, 1951 from W. J. Doyle, Commercial Superintendent, to A. E. Smith, captioned Modified Central Station Burglar Alarm Service.....	6202 6203 6206	4324 4324 4326
A31—Letter dated March 23, 1959 from Jamie Bray, Alarm Signal Company of Texas to Frank E. Guibert.....	6209	4331
A36—Handwritten letter dated June 2, 1962 from T. E. Smith to Mr. Haberman captioned Competition, San Antonio, Texas—Texas Industrial Surveys	6212	4334
A37—Letter dated October 18, 1955 from J. K. Scott to A. S. Cook, Manager, captioned Riverside Protective Association, Houston 9, Texas..	6214	4335
A38—Letter dated October 1, 1959 from R. F. Ethridge to R. T. Warner, captioned The Polaroid Company, Dallas, Texas.....	6215	4336
A39—Letter dated June 22, 1959 from S. W. Christian to J. B. Rustic, captioned Competition—El Paso.....	6216	4337
A40—Letter dated March 15, 1960 from J. D. Patton to L. J. O'Brien, captioned Competition	6217	4338
A41—Letter dated December 11, 1956 from C. A. Southard to J. K. Scott, captioned Scobey Fireproof Storage Company, San Antonio, Texas..	6218	4338
A47—Memo dated November 2, 1959 from J. B. Bodley to E. J. Heisley, captioned Competitive Fire-Alarm System, Pittsburgh, Pa.....	6219	4340
A49—Memo dated November 20, 1962 from Jake Kowalyk to W. J. Robinson, captioned Competition—Pittsburgh	6220	4341
A51—Memo dated March 12, 1956 from W. J. Dahl to L. J. O'Brien captioned Boeing Airplane Company, Seattle, Washington, Conversion	6223	4344

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
A52—Letter dated March 14, 1956 from T. L. Young to W. J. Dahl, re: Boeing Airplane Company, Seattle, Washington, Conversion	6224	4345
A53—Memo dated January 30, 1956 from J. J. Stephens to J. A. MacDonald, captioned Direct Connected Services, Competition and Compensation	6225	4345
A54—Memo dated February 15, 1956 from R. M. Bugbee to A. W. Sullivan, captioned Gamewell Competitions, Indiana	6229	4350
A55—Memo dated October 10, 1955 from A. W. Sullivan to L. J. O'Brien, captioned Competition, Kenosha, Wisconsin	6230	4351
A57—Memo dated July 30, 1955 from R. V. Haight to H. B. Schultz	6231	4352
A61—Letter dated January 4, 1954 from E. J. Heisly to A. E. Smith, re: Wurzburg Bros., Memphis, Tenn. (Factory Mutuals)	6232	4353
A62—Memo dated September 24, 1953 from J. Heath, Jr., to E. B. White, re Los Angeles and Salt Lake Railways, Los Angeles 23, California	6233	4354
A63—Memo dated March 20, 1953 from W. B. O'Hara to D. E. Kloster, re: Erie Resistor Corp., Erie, Pa.	6234	4355
A64—Memo dated February 12, 1953 from O. T. Blank to F. J. Concannon, re: Benjamin Moore Co., Denver, Colorado	6235	4356
A66—Memo dated March 6, 1952 from E. A. Rogers, Jr. to A. S. Cook, re: Competition, Wild & Stevens, Inc., Needham Street, Newtonville, Mass.	6236	4357
A67—Memo dated October 2, 1952 from N. Slavin to A. S. Cook, re: Hotels Statler Company, Hartford, Connecticut	6237	4359
A68—Memo dated April 7, 1952 from D. R. Hall to A. S. Cook, re: Ford Motor Company, Natick, Mass.—Compulsory Tour Service	6238	4359
A70—Memo dated January 18, 1952 from D. R. Hall to W. R. Boos, re: Ford Motor Company, Edgewater, New Jersey	6239	4361
A71—Memo dated September 5, 1951 from E. J. Heisley to A. E. Smith, re: Union Bag and Paper Company, Savannah, Georgia	6240	4362
A77—Memo dated August 11, 1955 from J. B. Bodley to L. J. O'Brien captioned Competition—Richmond, Virginia	6241	4363

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
—Memo dated August 8, 1955 from R. O. Beckham to J. B. Bodley entitled Competition—Richmond, Virginia	6242	4364
A78—Memo dated June 1, 1953 from T. J. Yocom to E. B. White entitled Competition Report	6244	4365
A79—Memo dated July 1, 1959 from Ray Brechbill to Lyle Straus entitled Competition—Fort Worth	6246	4366
A82—Memo dated March 18, 1955 from W. J. Doyle to J. A. Webb, re: The Jamison Plastic Corporation, North Bellmore, Long Island, N.Y.	6245	4367
A84—Memo dated October 10, 1952 from G. J. Simon to John Hannon entitled Beth Israel Hospital, New York City	6247	4368
A85—Memo dated December 9, 1952 from W. J. Doyle to C. S. Hammergren re: Beth Israel Hospital, New York, N.Y.	6248	4369
A86—Memo dated April 8, 1957 from W. R. Boos to W. J. Doyle re: Duro-Test Corp., Secaucus, New Jersey	6249	4370
A89—Memo dated July 29, 1958 from C. H. Sanders to W. J. Doyle re: Globe Products Co., Inc., Webro Road, Clifton, New Jersey	6250	4371
A95—Memo dated August 6, 1951 from A. E. Smith to John Hannon captioned Auxiliary Fire Alarm Service, Trenton, New Jersey	6252	4373
A98—Memo dated January 5, 1952 from M. E. Hubert to W. W. Dooley, captioned First National Bank, Omaha, Nebraska	6253	4374
B8—Memo dated March 21, 1961 from A. S. Jacks to L. J. O'Brien captioned Competition, Erie, Pennsylvania	6254	4375
B9—Memo dated November 21, 1960 from J. J. Caffrey to L. J. O'Brien captioned Competitive Advertising	6256	4376
B11—Memo dated May 19, 1959 from R. J. Dellinger to A. S. Jacks re: Gamewell Competition—Erie, Pennsylvania	6260	4379
B12—Memo dated March 7, 1959 from R. J. Dellinger to A. S. Jacks re: Gamewell Company	6262	4381
B13—Memo dated May 17, 1959 from R. M. Bugbee to A. S. Jacks re: Gamewell Competition—Erie, Pennsylvania	6263	4382
B17—Memo dated May 5, 1958 from F. T. Turner to J. B. Rustic captioned "Auxiliary Fire Alarm Systems—City of Pittsburgh, Pennsylvania"	6264	4383

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
B18—Memo dated April 11, 1958 from R. T. Warner to L. J. O'Brien captioned "Olin Mathieson Chemical Corp., New Haven, Conn."	6266	4385
B19—Memo dated March 28, 1958 from W. J. Dahl to A. W. Sullivan captioned Competition—Fire Alarm Service, City of Portland, Oregon, Auxiliary Fire Alarm Systems connected to Municipal Circuits	6269	4387
B20—Memo dated March 25, 1958 from H. E. Peters to A. S. Jacks captioned Competition	6271	4389
B21—Memo dated October 15, 1957 from "District Sales Manager" (RTW) to L. J. O'Brien, captioned Insurance Relations—FIA and FM	6273	4390
B24—Memo dated June 7, 1956 from G. B. Fosmire to C. L. Chafee, captioned Competition—Columbus, Ohio	6275	4392
B30—Memo dated September 24, 1954 from D. M. Gates to C. L. Chafee	6277	4393
B33—Memo dated September 15, 1954 from J. A. MacDonald to A. W. Sullivan entitled Notifier Mfgs. Co.	6278	4395
B34—Memo dated September 10, 1954 from L. J. O'Brien to J. A. MacDonald re Competition—Notifier Alarm Co.—Spurling Automatic Fire Alarm Co.	6279	4396
B33—Memo dated August 30, 1954 from R. L. Hopf to C. L. Chafee re Competition—Spurling & Notifier	6280	4397
B40—Memo dated June 8, 1954 from Oper. Supt. (DHB) to J. B. Rustic, re Competition—Lincoln, Nebraska	6281	4398
B92—Memo dated September 18, 1952 from R. M. Bugbee to A. E. Smith, re Atmo Competition—New Haven, Conn.	6284	4400
B94—Letter from "Koos Bros." signed by George O. Klemp to B. W. Fox, Anchor Motor Freight-New York Corp., Linden, New Jersey, dated August 15, 1952	6286	4402
B95—Memo dated September 24, 1952 from A. F. Clunan to W. J. Doyle, re Competition—Atmo, Linden Investment Co., Linden, New Jersey	6287	4403
C1—Memo dated May 14, 1951 from R. M. Bugbee to A. S. Cook re Atmo Competition, New Haven, Connecticut	6288	4404
C3—Memo dated July 22, 1957 from J. B. Bodley to O. E. Betscher, captioned M. H. Connell Associates, Miami, Florida	6289	4405

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
C4—Memo dated July 27, 1962 from C. C. Rasmussen, Jr. to W. J. Robinson, re *"United States* v. *Grinnell Corp. et al."*	6290	4406
C8—Memo dated July 11, 1952 from R. M. Pinio to B. H. Sofge re Ace Burglar Alarm Company, Hartford, Connecticut	6291	4407
C10—Memo dated July 7, 1952 from K. E. Berrett to R. M. Pineo, re Ace Burglar Alarm Company, Hartford, Connecticut	6292	4408
C13—Memo dated July 1, 1960 from D. H. Barnett to L. J. O'Brien re "Proposed Councilmen's Bill, Denver, Colorado"	6293	4409
C14—Memo dated November 29, 1954 from "Vice President" to L. J. O'Brien re Denver Ordinance	6296	4412
C15—Copy of Ordinance allowing Denver Banks to install direct connect alarms, Series of 1954	6298	4414
C21—Memo dated December 18, 1952 from W. K. Francis to E. B. White re Competition—Tele-Fire of California, Pasadena, California	6301	4417
C22—Memo dated April 17, 1953 from J. Heath, Jr. to E. B. White re competition—Fullerton Mutual Orange Ass'n., Inc., Fullerton, California	6304	4421
C26—Memo dated April 11, 1958 from W. K. Francis to L. J. O'Brien, entitled Competition—Sacramento, California	6305	4422
C31—Memo dated August 28, 1962 from W. J. Kupper to Ray Brechbill, re District #13—Sales Integrity and Competition	6306	4423
C32—Memo dated June 16, 1954 from W. K. Francis to E. B. White re Sears, Roebuck & Company, Tucson, Arizona	6315	4432
C33—Memo dated April 29, 1957 from J. A. MacDonald to J. B. Rustic, re Competition—Spurling Fire Alarm & Indicator Co., Louisville, Kentucky	6317	4434
C34—Memo dated December 21, 1956 from W. J. O'Meara to E. O. Betscher, re Yellowstone Distillery, Inc., Shively, Kentucky	6318	4435
C35—Memo dated November 30, 1956 from E. O. Betscher to L. J. O'Brien, re Competition—Spurling Fire Alarm & Indicator Company, Louisville, Kentucky	6319	4436
C36—Memo dated September 12, 1956 from J. B. Bodley to E. O. Betscher, re Competition—Spurling Fire Alarm & Indicator Company, Louisville, Kentucky	6321	4439

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
C40—Memo dated September 7, 1955 from A. A. Balestrino to C. C. Chafee re Competition—Cincinnati, Ohio	6323	4440
C41—Memo dated September 10, 1954 from R. L. Hopf to C. L. Chafee re Competition—Direct Connect to Fire Tower	6324	4442
Agreement between the City of Cincinnati and Spurling granting direct connect permission, dated August 6, 1954	6325	4443
C42—Memo dated September 17, 1953 from E. J. Heisley to A. W. Sullivan, re Auxiliary & Direct Connect Competition, Charleston, South Carolina	6326	4445
C49—Memo dated March 4, 1960 from D. R. Hall to R. T. Warner, re GMC, New Departure Division, Bristol, Connecticut	6328	4448
C53—Memo dated May 6, 1958 from R. G. Dodd to L. M. DeSchane re: Mid-West Conveyor Company, Inc., Kansas City, Kans.	6329	4449
C55—Memo dated April 4, 1958 from R. G. Dodd to L. M. DeSchane	6331	4451
C59—Memo dated March 14, 1957 from L. M. DeSchane to L. J. O'Brien re: Competition—Omaha and Lincoln, Nebraska	6332	4452
C60—Memo dated February 11, 1957 from H. E. Elster to D. H. Barnett re: Competition—Omaha, Notifier and Dictograph Corp.	6333	4453
C61—Memo dated January 9, 1957 from Ray Brechbill to E. Turnbull captioned Competition—Oshkosh, Wisconsin	6336	4456
C66—Memo dated May 27, 1955 from "E.O.B." to L. J. O'Brien captioned Banks, Direct Connect Privilege	6337	4457
C67—Memo dated May 23, 1955 from "District Operating Superintendent" to J. B. Rustic captioned B. A. System By Diebold, Inc., Canton, Ohio	6338	4458
—Newspaper clipping describing the ultrasonic device used by Diebold in local and direct connect vault alarm service	6339	4459
C76—Memo dated August 13, 1954 from R. L. Beckwith to D. R. Hall	6340	4460
C81—Memo dated November 11, 1953 from L. J. O'Brien to E. P. Hagan re Competition—Diebold, Police Headquarters, Milwaukee, Wisconsin	6341	4461

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Defendant ADT's Exhibits—Continued		
C87—Memo dated January 5, 1952 from M. E. Hubert to Mr. Dooley, Re: First National Bank, Omaha, Nebraska	6343	4463
C89—Memo dated January 13, 1958 from R. A. Bewes to R. T. Warner, Re: State of New York Executive Department, Division of Military and Naval Affairs, Albany, N.Y.	6344	4464
C91—Memo dated June 27, 1962 from W. K. Francis to Ray Brechbill, Re: Golden Gateway, Redevelopment Project, San Francisco, California	6346	4466
C97—Memo dated February 27, 1957 from D. E. Hall to L. J. O'Brien, Re: Proprietary Systems, GMC, Chevrolet Division, Ford Motor Company, Chrysler Motors Corporation	6347	4467
D1—Memo dated August 19, 1952 from Commercial Superintendent to A. E. Smith re Aero Competition—Boston, Mass.	6349	4469
D11—Memo dated December 7, 1962 from W. A. Clark to W. C. Marin re The John Shillito Co., Cincinnati, Ohio	6350	4471
D15—Memo dated August 1, 1961 from F. J. Concannon to L. J. O'Brien captioned Julius Kessler Distilling Company, Calvert Distilling Company, Jeffersonville, Indiana (Louisville)	6352	4472
D18-1—Memo dated February 2, 1961 from R. L. Beckwith to J. K. Swanson re: Jacobsen's, Jackson, Michigan	6354	4474
D18-2—Memo dated December 26, 1960 from Ray Brechbill to L. J. O'Brien re: American Hard Rubber Company, Akron, Ohio	6356	4476
D20—Memo dated August 31, 1960 from L. J. O'Brien to District Sales Managers and Representatives, captioned Competition—Minneapolis-Honeywell	6357	447[illegible]
D21—Memo dated January 20, 1959 from M. H. A. Lindsay to J. A. MacDonald captioned Minneapolis-Honeywell Regulator Co., Minneapolis, Minnesota	6359	4479
D22—Memo dated August 16, 1960 from N. R. Brady to J. B. Bodley re Travelers Broadcast House, Hartford, Conn.	6361	4482
D24—Memo dated July 8, 1960 from J. B. Bodley to all ADT executive officers, re "Competition—Minneapolis-Honeywell Company"	6362	4484
D26—Memo dated April 29, 1960 from A. S. Jacks to H. B. Schultz re Tri-County Shopping Center—Shillito's, Federated Department Store	6364	4486

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
D27—Memo dated February 3, 1960 from M. H. A. Lindsay to J. A. MacDonald re Minneapolis Honeywell Regulator Company and Competition in general	6365	4487
D28—Competition Report—November 20, 1962—West Orange, New Jersey. Job lost to Kidde Atmo	6368	4491
D30—Memo dated August 9, 1961 from M. H. A. Lindsay to L. J. O'Brien re New CIA Headquarters, Washington, D. C. area	6369	4493
D32—Memo dated June 13, 1960 from A. Gaston to L. J. O'Brien re L. Bamberger & Company, Newark, New Jersey	6370	4494
D33—Memo dated January 26, 1960 from F. D. Shadell to W. J. Doyle re Competition	6371	4495
D36—Memo dated January 31, 1956 from J. R. Hough to E. O. Betscher re Spurling and Kidde, Miami, Florida	6373	4497
D40—Memo dated January 14, 1954 from A. W. Sullivan to A. E. Smith captioned Atmo Competition	6375	4498
D41—Memo dated April 2, 1953 from "General Superintendent" to R. M. Pineo captioned Atmo Fire Alarm Company, Bridgeport, Conn.	6376	4499
D42—Memo dated May 27, 1953 from R. M. Bugbee to A. E. Smith captioned Atmo Competition—New Haven, Conn.	6377	4500
D45—Memo dated October 22, 1952 from W. J. Doyle to A. E. Smith re: Automatic Fire Alarm Competition, State of New Jersey	6378	4501
D46—Memo dated October 14, 1952 from F. H. Langille to W. J. Doyle re: Automatic Fire Alarm Competition, State of New Jersey	6380	4502
D51—Memo dated September 2, 1954 from E. J. Kaiser to King Young re: Competition	6381	4503
D59—Memo dated April 8, 1959 from J. T. Lynch to R. T. Warner re: The New Haven Board and Carton Co., New Haven, Conn.	6382	4504
D62—Memo dated March 12, 1957 from L. B. Straus to L. J. O'Brien re: Marshall Field & Co., Park Forest, Illinois	6384	4506
D75-B—Underwriters' Laboratories, Inc. Accredited Central Stations by date of approval since 1945	6385	4507
D75-E—Manual of Burglary Insurance (excerpts)	6387	4509

Record from the United States District Court for the District of Rhode Island—Continued

DEFENDANT ADT'S EXHIBITS—Continued | Original | Print

Exhibit Volume VIII

D89—Memo dated July 28, 1960 from Ray Brechbill to R. J. Highstone re: Highland Park Police Department, Highland Park, Illinois... 6391 4523

D92—Memo dated January 5, 1960 from R. P. Lucy to W. K. Francis re: Bemis Bag Co., Newark, California... 6392 4524

D93—Memo dated October 5, 1954 from L. J. O'Brien to A. E. Smith re: Direct Connected Competition—Diebold Company and Gamewell Co., Sioux City, Iowa... 6393 4525

D97—Memo dated June 30, 1955 from C. L. Chafee to A. E. Smith re: Competition—Cincinnati, Ohio... 6395 4526

E1—Sprinkler Supervisory Coordinating Instructions No. 3, dated November 24, 1953 from C. S. Hammergren to All ADT Subsidiaries... 6396 4528

E3—Letter from W. J. Dahl to A. W. Sullivan dated February 11, 1959, captioned Competition—Tacoma, Washington... 6398 4530

E4—Letter from S. H. Filipkowski to W. B. Flammer, dated August 6, 1956, captioned ADT Competition, Birmingham, Alabama... 6400 4532

E6—Memorandum from the Service Superintendent of ADT, Detroit, Michigan to Mr. Swanson, District Manager, dated October 10, 1960, captioned Competition—Detroit, Michigan... 6401 4533

E7—Memorandum from W. K. Francis to L. J. O'Brien, entitled Competition, San Francisco, California... 6402 4534

E8—Memorandum from R. T. Warner to L. J. O'Brien, dated April 6, 1960, captioned Competition... 6405 4538

E9—Memorandum from E. J. Heisley to L. J. O'Brien captioned Competition—Washington, D. C., dated April 15, 1960... 6407 4541

E10—Memorandum from A. S. Jacks to L. J. O'Brien dated April 25, 1960, captioned Competition—Cleveland District... 6410 4543

E-13—Letter from C. L. Chafee to L. J. O'Brien, dated June 7, 1957, captioned Competition—Radar Eye Corporation... 6412 4547

E14—Memorandum from C. L. Chafee to L. J. O'Brien, dated May 13, 1957 captioned Competition—Cleveland, Ohio... 6413 4548

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
E15—Memorandum from E. J. Heisley to L. J. O'Brien, dated April 17, 1957, captioned Competition Radar-Eye	6414	4549
E16—Memorandum from R. T. Warner to L. J. O'Brien, dated March 8, 1957, captioned Competition—Radar-Eye	6415	4550
E18—Memorandum from E. J. Heisley to L. J. O'Brien, dated March 6, 1957, captioned Competition—Radar-Eye	6416	4551
E19—Photostatic copy of an advertisement for the Radar-Eye Protection System as published in the Buffalo Carrier Express Newspaper, February 11, 1958	6417	4553
E22—Memorandum from A. L. Kauffman to W. W. Dooley, dated August 12, 1954, captioned Competition—Denver, Colo.	6418	4555
E28—Memorandum from W. E. Mauroschadt to E. J. Heisley, dated December 18, 1956, captioned Competition, First Camden National Bank, Camden, New Jersey	6419	4556
E-32—Memorandum from D. R. Hall to L. J. O'Brien, dated March 21, 1956, captioned Competition—Diebold Bank Alarms	6420	4557
E-36—Memorandum from C. K. Empringham to Mr. John Stephens, dated August 30, 1955	6421	4558
E48—Memorandum from Lynne Stora to E. B. White, dated August 9, 1954, captioned 'Continental Can Company, Sacramento, California	6422	4559
E52—Letter from the President of ADT to the President of Holmes Electric Protective Company, dated March 27, 1947	6424	4561
E53—Letter from H. C. Ward, President, Holmes Electric Protective Company to E. A. Ward, President, ADT, dated March 26, 1947	6425	4561
E55—Memorandum from E. Turnbull to L. J. O'Brien, dated November 27, 1956, captioned "Certificate—Holdup Alarm, Minneapolis District"	6426	4562
E56—Memorandum from M. H. A. Lindsay to J. A. MacDonald, dated January 20, 1959, captioned Southdale Shopping Center, Minneapolis, Minnesota	6427	4563
E57—Memorandum from L. H. Pryor to E. Turnbull, dated June 20, 1956, captioned Electro-Watchman, Inc.	6430	4566
E58—Memorandum from L. H. Pryor to E. Turn-		

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
bull, dated May 29, 1956, captioned Electro-Watchman, Inc., St. Paul, Minnesota	6432	4569
E60—Memorandum from D. R. Hall to L. J. O'Brien, dated September 2, 1958, captioned McConnell Kerr Company, Detroit, Michigan	6434	4571
E61—Contract competition report form 701 involving a prospect in Grand Rapids, Michigan	6435	4573
E69—Memorandum from R. T. Warner to L. J. O'Brien, dated April 12, 1957, captioned Competition—The Federal Burglar Alarm Company, Boston, Massachusetts	6436	4575
E70—Memorandum from R. T. Warner to L. J. O'Brien, dated January 8, 1958	6437	4575
E71—Memorandum from R. T. Warner to L. J. O'Brien, dated September 12, 1956, captioned Kennedy's Inc.	6438	4577
E72—Memorandum from N. R. Brady to R. T. Warner, dated July 25, 1956	6439	4578
E82—Memorandum from E. J. Pucci to W. Hable, dated January 18, 1963, captioned Legislation—Laws and Ordinances Passed by City Councils and State Legislatures in the Minneapolis District—Davenport—Moline	6440	4579
—Attachments—Newspaper clippings	6441	4579
E84—Memorandum from E. Turnbull to L. J. O'Brien, dated July 27, 1960, captioned Competition—Cedar Rapids, Iowa	6445	4581
E86—Memorandum from D. R. Hall to L. J. O'Brien, dated September 2, 1958, captioned The Columbia-Western Corporation, South Bend, Ind.	6447	4583
E89-1—Letter from C. A. Wiborg, Lumbermen's Mutual Casualty Company to the Holmes Electric Protective Company, dated January 30, 1956, captioned Stewart Warner, Inc.	6448	4584
E-89-2—Letter from E. J. Heisley to A. E. Smith, dated December 7, 1954, captioned Police Department Competition, Atlanta, Georgia	6449	4585
F16—Memorandum from the Secretary of ADT to J. A. MacDonald, dated June 24, 1963, captioned The Citizens & Southern National Bank, Atlanta, Georgia	6451	4589
F20—Memorandum from W. J. Dahl to Ray Brechbill, dated March 5, 1964, captioned Public Relations, Fire Department, Salt Lake City, Utah	6458	4597

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANT ADT'S EXHIBITS—Continued		
F42—Memorandum from J. J. Hayden to J. K. Scott, dated September 23, 1963, captioned Southern Burglar Alarm Co., Atlanta, Georgia	6463	4603
F43—Memorandum from P. K. Labadie to W. C. Martin, dated April 23, 1964, captioned Competition	6464	4604
DEFENDANT HOLMES ELECTRIC PROTECTIVE COMPANY'S EXHIBITS		
H4—Pamphlet of the Autocall-Howe Plant Protection Systems	6466	4605
H5—Letter from C. K. Empringham to Howard Stores, Inc., Brooklyn, N.Y., dated August 31, 1959	6475	4615
H11—Report by J. G. Healey, Superintendent of Shops and Supplies, on the Local Alarm Conference, held November 4, 1960 in the President's Office, dated November 4, 1960 (excerpts)	6478	4617
H16—Leaflet called "Protective Bulletin" issued by the Insurance and Protective Department, American Bankers Association, for March, 1960	6483	4619
H18-1—Letter from H. C. Ward to P. R. Webb dated April 16, 1952	6485	4622
H18-2—Memorandum from V. Wierman, Diebold, Inc., August 6, 1955	6488	4627
H-23—Competition report of Holmes, dated June 9, 1961, Pittsburgh, Pa. for the protection account of the Keystone Iron & Metal Company	6490	4629
H-26—Holmes Business Form No. 640 states that Holmes was bidding against a local alarm company for the protection account of Citra Trading Corp.	6491	4630
H-30-1—Competition Report of the Holmes Electric Protective Company, dated January 3, 1963 in Philadelphia for the protection account of the Strait Advertising Company, Incorporated	6492	4631
H30-2—Letter from T. L. Weber to Bruce D. Crockett, dated August 7, 1962, captioned Competitive Activity	6493	4633
DEFENDANTS' EXHIBITS (Depositions)		
W2a—Excerpts of deposition testimony of Joseph E. Cunningham, A. P. F. Company	6494	4634
W4a—Excerpts of deposition testimony of M. I. Brod, Accurate Burglar Alarm Service	6523	4646

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Defendants' Exhibits (Depositions)—Continued		
W5a—Excerpts of deposition testimony of Gerson Zimmerman, Ace of Spades Burglar Alarm Company	6537	4649
—Exhibits and handwritten corrections	6648	4700
W6a—Excerpts of deposition testimony of Thomas J. Smith, Alarm Engineering Company, Inc.	6660a	4708
—Exhibits A thru E	6660xxx	4754
W7a—Excerpts of deposition testimony of John W. Callaghan, Alarm Systems, Inc.	6660eeee	4765
W8a—Excerpts of deposition testimony of Joseph Siegel, Alert Alarm Company	6662	4788
W9a—Excerpts of deposition testimony of George J. Kusta, Arrow Electric Protection Company	6713	4807
W10a—Excerpts of deposition testimony of Eric David, Tattle-Tale Alarms	6813	4843
W11a—Excerpts of deposition testimony of Roy Van Wagner, Autocall Company	6861	4861
—Affidavit of Roy Van Wagner, dated August 7, 1963	6905	4880
W12a—Excerpts of deposition testimony of Frank W. Houghton, Automatic Alarms	6907	4881
—Exhibits 7, 8, 13 and 14	7006	4921
W13a—Excerpts of deposition testimony of Everett A. Westphal, Bay Alarm Company	7012	4925
W14a—Excerpts of deposition testimony of Morton Baizer, Bell Burglar Alarms and Eagle Protective Company	7073	4951
W16a—Excerpts of deposition testimony of Joseph G. Wilson, Central Burglar Alarm Service and Surety Alarm Company	7166	4987
—Exhibits 1 & 2	7255	5026
W17a—Excerpts of deposition testimony of Arthur A. Schwartz, Certified Burglar Alarm Systems, Inc.	7261	5039
W18a—Excerpts of deposition testimony of Clarence W. Novak, Chicago Mercantile Police Alarm Systems	7437	5115
W19a—Excerpts of deposition testimony of James H. Coffey, Circle Alarm Corporation	7455a	5122
W21a—Excerpts of deposition testimony of Kenneth M. Holmes, Dallas Burglar Alarm Company	7458	5152
W22a—Excerpts of deposition testimony of Claude L. Carpenter, Dawn Patrol Burglar Alarm Company	7490	5166
—Exhibits 2 and 4	7565	5192

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
DEFENDANTS' EXHIBITS (Depositions)—Continued		
W23a—Excerpts of deposition testimony of Grant Richard Hamilton, Day & Night Burglar Alarm Company	7570	5196
Exhibit Volume IX		
W24a—Excerpts of deposition testimony of Alfred Wayne Jackson, Diebold, Incorporated	7626	5215
W25a—Excerpts of deposition testimony of R. Stafford Edwards, Edwards Company	7742	5255
W26a—Excerpts of deposition testimony of Lyle A. Vadnais, Electro Watchman, Inc.	7784	5281
W27a—Excerpts of deposition testimony of Gerald R. DeLue, Frontier Guard and DeLue, Inc.	7845	5308
W28a—Excerpts of deposition testimony of Arthur William Fruh, A. W. Fruh & Company	7916	5344
W29a—Excerpts of deposition testimony of Harry Gerber, Gerber & Company	7935	5354
W30a—Excerpts of deposition testimony of Loys C. Bridges, Greenville Avenue Patrol	7998	5378
W31a—Excerpts of deposition testimony of Milton Pierce, Guardian Alarm Company	8035	5395
W32a—Excerpts of deposition testimony of Julian C. Cohn, Robert Hall Clothes, Inc.	8097	5418
W33a—Excerpts of deposition testimony of Kenneth V. McCluskey, Howard Stores Corporation	8113	5423
W34a—Excerpts of deposition testimony of John S. Nacey, Howe Electric Company	8128	5429
W36a—Excerpts of deposition testimony of John H. Trout, International Business Machines Corporation	8219	5459
W37a—Excerpts of deposition testimony of Gordon Dillard, Magnetic Alarm Inc.	8244	5469
W38a—Excerpts of deposition testimony of Clarence Irvin Baker, Merchants Alarm Service	8314	5491
W39a—Excerpts of deposition testimony of Russell W. Laxson, Minneapolis Honeywell Regulator Company	8399	5530
W40a—Excerpts of deposition testimony of William Baggett, Mossie Burglar Alarm Company and Mossie Electric Protection Company	8438a	5554
W41a—Excerpts of deposition testimony of Oliver Tyrrell Joy, Notifier Corporation	8438ppp	5584
—Exhibit A	8438jjjjjj	5627
W42a—Excerpts of deposition testimony of Michael Singel, Security Alarm	8446	5631

Record from the United States District Court for the District of Rhode Island—Continued

	Original	Print
Defendants' Exhibits (Depositions)—Continued		
W43a—Excerpts of deposition testimony of Mary B. Nordsiek, Nordsiek Protection Service	8474	5647
W44a—Excerpts of deposition testimony of Morris J. Amsrud, Suburban Patrol Service Corporation	8491	5652
W45a—Excerpts of deposition testimony of Robert E. Leeper, United States Burglar Alarm Company, Incorporated	8501	5656
W46a—Excerpts of deposition testimony of Victor R. Zahn, Victor Burglar Alarm Company	8569	5684
W47a—Excerpts of deposition testimony of Henry A. Walters, WECO and Ace Alarm Company	8648	5722

A. No. I was just trying to assure my people that the Holmes Company was coming down to our level or we were coming up to theirs.

Q. How did you know you were talking with a Mr. Webb who was with the Holmes Company?

[fol. 3741] A. Well, no impostor could possibly have the information of an alarm company that this man had.

* * * * * * *

[fol. 3742] Q. When is the first time, Mr. Forman, that you

Page 30

personally became aware of the fact that the Robinson representatives were interested in acquiring the Owl Company?

A. I had arranged to meet with Herman Robinson to purchase—that is, to ask him if he was willing to sell his company.

And he arranged to have himself and his brother and we discussed the purchase price which he set—we didn't.

And at that point I said to him "Well, let's be realistic."

Q. Would you fix the time of this or date and then proceed?

A. I would say this would be a year after they opened. About spring or towards early summer. I do not recall the exact time.

But Mr. Herman Robinson was there and his brother who [fol. 3743] is in the stock brokerage business. I believe his name is—I should know. It will come back to me—were there, and they were discussing all the beauties of getting involved with the Robinson family and perhaps having stock issue and things of that nature, which would be an incentive for combining the companies at least, if not for buying each other out.

Page 31

And when he set a price on his company I said to him "Well, why don't you buy us out at the same figure?" and he said "I will."

* * * * * * *

Q. What did he say?
A. I believe it was $750,000.00.

* * * * * * *

[fols. 3744-3745] Q. How did this come about?

A. At this point when he said his company was worth $750,000.00, I said "Under those conditions why don't you buy us?"
Q. For the same figure?
A. Yes.
Q. What did he say?
A. He said "He thinks it can be arranged."
Q. Go on. Was there something else?
A. Well, there was a lot said. I told him—I said I was quite sure we were not interested in selling, that the purpose of my visit at this time was to see if he wanted to go out of business, and we offered a plan of purchase to him—not at that figure—and he turned it down.
Q. You say this was sometime after they opened their central station here in Philadelphia?
A. It was a year afterwards, yes.

* * * * * * *

[fol. 3746] Q. Have you ever been heard, to your knowledge, to express any opinion concerning Mr. Robinson's competence to any industry, to any representative alarm company defendant in this lawsuit?

Mr. Story: I object to the question.
Mr. Conkling: Answer it, please.

A. I have heard that Mr. Robinson does not know the

alarm business as such and is having difficulties, period.
Q. And haven't you expressed that opinion to others?
[fol. 3747] A. That observation have I expressed?
Q. Yes, in the course of your——
A. (Interposing) Of normal conversation?
Q. Yes, in the industry, among the people in the industry.
A. Probably.

Q. Well, it is a fact, isn't it?

A. I believe it is a fact because I think I have expressed it to Mr. Robinson himself.

Q. What was it you think you have expressed to Mr. Robinson himself in this area?

A. Well, inasmuch as he didn't have the technical knowledge and the background in the industry, he was going to have difficulty running a business of this nature.

Q. Did he have anything to say about that?

A. His answer to it was that he was going to get the proper people to do the running of the business and he was going to administer the business.

* * * * * * *

[fols. 3748-3750] Q. I take it, then, your answer to my question is that he has not achieved the end that he has expressed himself to you as trying to achieve?

A. No, that is not my answer.

My answer is that he has achieved to a degree what he has set out to do. He has achieved it from his own standpoint because he has been able to administer as well as he can, and he is a good administrator.

However, I don't believe he has been able to get the personnel that he really needs, but he does have a certain percentage of that personnel in certain areas.

Q. Has he sought to have you go with him?

A. We have discussed it.

Q. How recently?

A. Last week.

Q. What was the subject of that discussion or the substance of that discussion?

Page 38

A. My availability, desires and my price.

* * * * * * *

[fol. 3751] By Mr. Conkling:

Q. The conversation that you had last week with Mr. Robinson, this is Mr. Herman Robinson?

A. That is correct.

Q. The conversation concerning a job opportunity, was

this brought about by Mr. Robinson or by your overture?
[fol. 3752] A. My overture.

Page 41

Q. Had there been any discussions prior to the discussion of last week?

A. There had been one previous discussion the week before.

Q. And those two discussions are the common substance of what you had to talk about in this area?

A. Yes.

Q. Does he now have a proposal by you under consideration?

A. We are both considering it.

* * * * * * *

[fol. 3753] Q. Did Mr. Robinson say something to you about a Mr. Benny Leonard testifying in this lawsuit?

A. Yes. He said "As you probably know, Benny testified." And I don't remember the exact wording, but it was that it wasn't as favorable as it would have been had Benny still have been there.

Q. He said that Mr. Leonard's testimony was not as favorable to whom?

A. To the interests of the Government.

Q. As if Mr. Leonard had still been where?

A. With Mr. Robinson.

* * * * * * *

[fol. 3754] Q. You say this Mr. Webb that you have in mind was gray-haired?

A. Yes.

Q. Can you give me any other distinguishing characteristics by way of a description of the gentleman?

A. As best as I can describe him, the man was [fol. 3755] approximately five feet eight and weighed somewhere

Page 44

between one hundred and sixty-five and one hundred and seventy-five. At the time I would say he was very close

to sixty years of age. He was extremely well-dressed, well-mannered, and a very fine gentleman.

Q. And your luncheon meeting lasted for about an hour?

A. An hour, an hour-and-a-half.

Q. In the Bellevue-Stratford, and after the usual amenities, exactly to the best of your recollection who said what?

A. We probably discussed—and I do not recall at all what we talked about initially, but I am sure it was "How is business?" or something.

Q. Incidentally, there was no one else present, I take it?

A. Just he and I.

Q. Go ahead.

A. And then someway or another along the line—and I believe it was he who asked "Is Robinson bothering you at all? Are they taking any of your men?" et cetera, et cetera.

Q. What did you say to that?

[fol. 3756] A. "They are not bothering us and they have taken one or two men which don't bother us, either."

Page 45

Q. Which were the two men they had taken?

A. They took an Al Romarino and I forget the other boy's name right at the moment, a youngster who wasn't with us too long.

Q. What kind of work did Romarino do?

A. He was a construction installer.

Q. You said that didn't bother you at all. Then what was said?

A. Why, I think we discussed more or less what——

Q. (Interposing) You are not guessing, are you?

A. Oh, I am. I cannot recall verbatim or even close to it what was said or in the manner which it was approached or anything like that, but I do know that these were the points that were discussed.

Robinson was the important factor—that they were now in the picture of the central office business, was it going to hurt us and them.

Just how it would affect the industry, that we two had lived together in this city, now what was going to happen that there was a third party in it.

Q. Did you express an opinion?

[fols. 3757-3758] A. I did express an opinion.

Q. What was your opinion as you recall expressing it?

Page 46

A. I didn't believe that he could hurt us, that he would have a certain number of friends, of relatives and people that they did business with that they would get, no matter what, and it wouldn't make any difference how he got them, he was going to get them, and that after that time he would fall into the same position that we were, that he had to stay in business to make a profit and in order to do that everybody would get into the same competitive spirit and the same competitive pricing.

Now once again, I don't recall exactly what was said, but in essence that is what was talked about.

* * * * * * *

[fol. 3759] Q. Would you tell me what the degree was? You said that from 1952 until 1962 when you left you were executive vice-president and treasurer. Were you, therefore, the chief executive officer in Philadelphia?

A. In Philadelphia, yes.

Page 49

Q. Did you set prices and policies?

A. Yes.

* * * * * * *

[fol. 3760] Q. What would be the approximate revenue of your company, Mr. Forman, during your last year with that company—that is, during 1962 up to the time you left—gross?

A. You are talking about our central station operation?

Q. I am talking about your company operation, the whole ball of wax.

A. The Philadelphia operation was in excess of $700,000.00.

[fol. 3761] Q. That is a fairly close estimate for the first eleven months of '62?

A. To the best of my recollection that would be the twelve months.

Q. What portion of that gross revenue for that period to your knowledge was traceable to your local burglar alarm service, approximately?

A. (Figuring) I would say about two hundred thousand dollars was local.

Q. And is there some portion of that that is traceable to sales as distinguished from services?

A. You mean installations? Oh, yes. I would make the local end of it about $450,000.00. I'm sorry. No, about $300,000.00.

Page 51

Q. And about $400,000.00 you attribute to what?

A. Central of ice. Maybe even better than that. I don't recall the figures too well.

* * * * * * *

[fol. 3762] Q. What is the purpose and function of central station protective service, Mr. Forman, based on your experience?

A. To provide remote supervision of a closed area so that in the event of burglary, fire or any other malfunction to a premise—the premises—that it be investigated as quickly as possible by an outside agency

Page 52

to prevent any mess damage to an area.

Q. Is that function and purpose generally true of your local service also in the burglary field?

A. It is. It serves its purpose very nicely in that the local alarms, although they do not directly transmit to an existing problem.

Q. Is the range of business and industry generally speaking as protected by central station services here in Phila-[fol. 3763] delphia in your experience about the same as the range of industry and business protected by local service? I am talking about the different types of establishments.

A. No. Local alarms, although I did say that they do serve their purpose—and they do—they can't function as well for a large industry unless there are guards on the premises. Large industry and isolated areas with a bell ringing would serve no purpose whatsoever.

And it is only the smaller business people, the retail establishments and things of that—and places of business such as that, that benefit from locals.

Q. Did you ever solicit the Robert Hall account here in Philadelphia?

Page 53

A. I personally did not.

Q. Did your company?

A. Yes.

Q. You did not succeed in obtaining that account?

A. That is correct.

Q. Who did?

A. Bell Burglar Alarm.

Q. That is a local company, is it not?

A. Local company, and I have been led to believe that they have just gone into the central office business.

[fol. 3764] Q. When they solicited the Robert Hall account, they offered local service or local protective system?

A. Yes.

Q. And you offered central station?

A. No.

Q. Protective service?

A. No. We quoted only on local. That is all they were interested in.

Q. Robert Hall?

A. Robert Hall.

Q. Is this a small type establishment?

A. An area, yes.

Q. In value of inventory protected?

A. No, no.

Page 54

They should be a very good prospect for central office. However, their policy is not to put in central office unless they have it in their main warehouse in New York or their showroom, whatever it is. I know they don't have it in their small locales, and we lost them on price.

Q. Aren't there other similar instances of similar establishments such as Robert Hall here in Philadelphia that are protected by local systems and not by central station

systems though the central station services are available?
[fol. 3765] There probably are. I am sure there are.

Q. Is Daroff one?

A. Daroff? You mean Botany 500, or whatever it is?

Q. Yes.

A. Well, I believe that their local alarm system that they are carrying is strictly internal, that the major portion of the building itself is protected by central office.

* * * * * * *

Q. Incidentally, Mr. Forman, when did the Owl Company, if you recall, commence to offer central station services?

A. That was prior to my getting there, and I think it was 1935 or thereabouts.

[fol. 3766] Q. At the time that you came with the company—and let's talk about the last ten years—was that company offering approved central station services?

A. They certainly were.

Q. Were they in all fields—fire protection and burglary?

A. No. Fire came into approval in 1959 or '60, I'm not sure, although we were installing fire alarm prior to that.

Page 56

Q. You mean in about 1959?

A. Yes. We got our approval from the FIA, the Middle Bureau and everybody else.

No. It was the Factory Mutual that gave us the approval finally.

Q. Had you been seeking it prior to finally obtaining it?

A. Yes, yes.

Q. What was the reason you didn't obtain it before 1959 when you did obtain it?

A. To the best of my knowledge it was paper work on the part of Factory Mutual. They just delayed it for as long as they could, or for their convenience. I shouldn't say "as long as they could."

* * * * * * *

[fol. 3767] Q. How is it different?

A. It is different in protecting the premises against burglary.

[fol. 3768] Although the insurance discounts are substantial, in many cases the people are much more interested in protecting the premises against any disturbance such as vandalism or burglary. Fire itself, there is such a tremendous saving in the fire alarm that unless this saving is realized through a recognized supervisory company, it does not pay for the subscriber to do it.

Page 58

Q. And you say this pay—in quotes—is realized through insurance?

A. Discounts.

Q. Discounts?

A. Yes.

Q. And you said ninety-five per cent. Is there a reason why it is ninety-five per cent instead of some other fraction or a hundred per cent?

A. Well, it isn't a hundred per cent because there is always the exception to the rule. You have people who put in fire supervisory because they want it.

Q. Without regard, you mean, to insurance?

A. Without regard to insurance, right.

Q. Or the cost of insurance?

A. Or they may be self-insured.

Q. And you think that that group of people is fairly represented by the five per cent figure that you mentioned?

[fol. 3769] A. I can really only base it on my own experience in the

Page 59

company, and I would say ninety-five per cent of fire alarm customers fell under the insurance discount program.

Q. Aren't these self-insurers—as you refer to—frequently very large organizations?

A. In most cases, yes.

Q. In most cases they are?

A. Yes.

Q. So that inventory values of the property that they seek to protect, even though they represent only five per cent in the numbers of subscribers—I take it you are talking about?

A. That is correct.

Q. If we are talking about a hundred subscribers, you are talking about five of them who may be self-insurers or want it for reasons other than insurance discounts?

A. Yes.

Q. But because they are large organizations, that five per cent may represent much more than five per cent in value of property to be protected?

A. Possibly. I have never gone into it.

Q. What did it cost your company—when I refer to "your company," sir, I mean the Owl Company, not your present affiliation.

[fol. 3770] Page 60

A. Yes.

Q. What did it cost the Owl Company, sir—if you know and can recall—to obtain the approvals which it obtained in about 1957 or '58 on the fire side?

A. Well, by "cost," do you mean for the renovations and for everything else concerned, or do you mean for the actual engineering fees that the Factory Mutual charged us?

Q. Would you give it to me both ways? Do you know?

A. There was approximately $600.00 in engineering fees, and I would say somewhere around $10,000.00 in actual money spent to renovate.

That is not an accurate figure.

Q. But it is a reasonably close estimate?

A. I would say reasonably close.

Q. Now, sir, after this alleged luncheon meeting with Mr. Webb, do I understand correctly that he never again talked with you or anyone else connected with your company, to your knowledge, concerning what you say was the substance of that luncheon conversation?

A. That is correct. I never talked to him again and to the best of my knowledge he never talked to anyone else.

Page 62

Q. At the time that you talked with Mr. Malcolm Gold-
[fol. 3771] stone about the alleged talk with Mr. Webb, was there a board meeting of your company held?

Page 63

A. Not at that moment, no, or not within that period of time. That is, in the thirty-day period or anything like that.

Q. At any time? You say you represented your then wife, Mrs. Lenore Forman, who was a fifty per cent owner? Correct?

A. Yes.

Q. And her brother, Malcolm, was the other fifty per cent owner?

A. That is correct.

Q. Did your then wife express any interest in selling the company?

A. No.

Q. And you never had a board meeting to consider that purpose formally?

A. No, we did not.

Q. Have you ever seen any company record made by someone other than yourself? I mean, for example, Mr. Malcolm Goldstone, concerning these matters?

A. No.

Q. Are you able to tell me that there are no such records in existence?

A. To the best of my knowledge, I know of none.

Q. Did you, sir, at the alleged luncheon meeting with Mr. Webb,

[fol. 3772] Page 64

discuss Malcolm Goldstone's health?

A. I do not recall it ever being discussed, no.

Q. Did you discuss whether the Owl Company, at the time of the alleged meeting, was prosperous—in good health financially?

A. No.

Q. Did you discuss whether the Owl Company would sell to Robinson if an inquiry or an offer from Robinson were received?

A. There was never any mention made.

Q. Did you discuss any attempts by Robinson to buy Owl or any inquiries by Robinson as to whether Owl could be sold?

A. No.

Q. Did you discuss whether it was your intention or the intention of the Owl Company to make a last ditch fight before selling to Robinson?

A. There was never any mention of selling to Robinson.

Q. Did you discuss any of your feelings or the feelings of the Owl Company or of Malcolm Goldstone toward Robinson or the Robinson Company?

A. Only that we couldn't understand the reason for them going into the central office business.

Q. Would you say that during that period—I mean the period

[fol. 3773] Page 65

say from '55 down to '62—you and the Owl Company were on a friendly basis with the Robinson people or unfriendly basis?

A. We were competitors, which can be put in only one way. We were unfriendly.

Q. During that same time, who were your other competitors here in Philadelphia?

A. Holmes Electric Protection, American District Telegraph, Automatic Fire Alarm, Bell Burglar Alarm, Sentinel—and during that period of course there was the Philadelphia Protective Wiring Company, which was a local company; that is all.

Q. Were the feelings between you and your company and these other companies that you just mentioned likewise unfriendly in the sense that you described in connection with the Robinson Company?

A. In the sense that I describe as competitors, we did not have any meetings or anything like that. We fought each other tooth and nail with regard to getting accounts.

* * * * * * *

[fol. 3774] Q. After you had approval to enter the central station fire alarm business, while you were still with the company did you at any time install a central station fire alarm system in any premise which was formerly protected by either ADT or AFA?

[fol. 3775] A. Yes.

Q. After you had obtained a contract for this installa-

tion, did you hear from any representatives of either AFA or ADT?

A. No.

Q. Did either ADT or AFA or any representative thereof ever call you concerning taking their accounts?

A. No.

Page 77

Q. Were you ever at any time requested, prior to the time you were approved, to conduct central station fire alarm service by any representative of ADT or AFA to refer fire alarm customers to them?

Page 78

A. No.

Page 79

Q. Now, sir, in connection with your burglar alarm business prior to the time you received approval to conduct central station fire alarm services, did you ever install one of your central station burglar alarms in subscribers which had formerly been protected by the Holmes Electric Protection Company?

A. Yes.

Q. How often did that happen, sir?

A. I would say no more than a half-a-dozen times a year. [fols. 3776-3777] Q. In connection with those half-a-dozen instances in a year, has anyone from the Holmes Company ever called you concerning taking their accounts?

A. Other than to find out whether their equipment is still there, no.

[fol. 3778] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT NO. 329

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY, Defendants.

DEPOSITION OF MALCOLM GOLDSTONE, CENTRAL OFFICE ALARM COMPANY, INC., 37-08 GREENPOINT AVENUE, LONG ISLAND CITY, NEW YORK.

Page 2

Mr. Conkling: May I ask two or three preliminary questions?

This deposition was scheduled for a week ago, November 26th, is that correct?

Page 5

Q. Sir, are you connected at the present time with the company here in the Greater New York area which is engaged in the central station protection business?

A. Yes.

Q. Today's examination, Mr. Goldstone, when I refer to your company and ask questions, the questions will be directed towards the activities of the companies that you [fol. 3779] have here in the Greater New York area.

A. That involves central office operation.

Q. Of the companies that you operate here in New York as distinguished from companies you might be associated with in Philadelphia.

A. Right.

Q. Tell us the name of your company here in New York.

A. The central office operating Company is called Central Office Alarm Company, Incorporated.

Q. Are you connected with any other companies in the New York area dealing with the protection business?

Page 6

A. Yes. Owl Protective Company, Inc., General Burglar Alarm, Inc. and Imperial Products Company, Inc. all are located at 37-08 Greenpoint Avenue, Long Island City.

Q. Now, sir, tell us what your positions is with those companies.

A. I am president of all of them.

Q. How long have you been in the alarm business here in the New York City area?

A. Full time since 1949.

Q. Prior to the time you entered the central station protection business, what type of alarm service were any of your companies engaged in?

A. Local burglar alarm system, installation and service, [fol. 3780] proprietary alarm installation and service, and auxiliary burglar alarm.

Q. Auxiliary, what kind?

A. Burglar alarm. That would mean connected to offices other than our own, such as telephone answering, police department, or any other central point that we could have signals received at.

Q. Is that sometimes called remote station or direct connected service?

Page 7

A. Yes.

Mr. Conkling: Mr. Story, would you have the witness indicate which of his companies does each of these things that he has just mentioned?

The Witness: All of them do, with the exception of Imperial Products Company, Inc. which is strictly a manufacturing company.

Q. You have told us what Imperial Products does, the type of business it is engaged in. Tell us what type central Office Alarm Company is engaged in.

A. Burglar alarm, sprinkler supervisory, which includes

water flow supervisory controls, watchman tour system supervision, holdup system, and industrial controls, automatic fire alarm tubing systems, also.

[fol. 3781] Q. All of the alarms that you have just mentioned as being conducted by the Central Office Alarm Company is central station protection business, is that correct?

A. Some of the central office company business involves local alarms also.

Q. Would you tell us what the General Alarm Company does here in the New York area?

A. General Burglar Alarm installs and services burglar alarm systems of the local and remote type.

Q. What does the Owl Protective Company, Inc. do in the Greater New York area?

Page 8

A. Owl installs and services local burglar alarm systems and those that are remotely connected, and also proprietary ones.

Q. I take it, then, from what you have testified to, that all of your central station protection business is conducted by the Central Office Alarm Company?

A. Yes.

Q. When did your Central Office Alarm Company commence this central station protection operation?

A. The company was incorporated in 1956. It began its building plans in 1958 after successfully winning a decision by the Court of Appeals in the State of New York permitting us to go into this business, and we actually en-[fol. 3782] gaged in the business on the 22nd of January, 1960.

Q. You mentioned that you had to take court action in order to get permission to conduct central station protection business?

A. Yes. The telephone company which previously had owned the Holmes Electric Company refused to grant us telephone lines between the years 1937 and 1956. We therefore were unable to get into the business for that period of time. The Court of Appeals ruled that the telephone company's contention that we had to be incorporated as a transportation corporation was erroneous and they were directed to give us leased lines.

Page 9

Q. When did you bring that lawsuit, sir?

A. 1954, I believe.

Q. When was it concluded?

A. It was brought under the name of Owl Protective Company, Inc.

Q. When was the decision of the Court of Appeals?

A. 1956.

Q. Thereafter, your companies commenced operations to set up your central station?

A. There was a two year delay because of my coronary condition, but as soon as my health improved we began the central office preparation.

Q. Would you tell us generally what your duties are with the Central Office Alarm Company?

A. Generally management and selling.

[fol. 3783] Q. General management and what?

A. Sales.

Q. I think, sir, you have already told us the types of central station protection service that your company is engaged in. Did there come a time after you had your central station established when you sought the approval of the various insurance organizations having jurisdiction over the various alarm services?

A. Such a time did arise.

Page 10

Q. Would you tell us the dates on which your company received such approval?

A. Yes, I will. (Referring to papers.)

Factory Mutual approved our operation on December 11, 1961, for the fire alarm. Underwriters' Laboratories approved us April 12, 1960, for burglar alarm central office operation.

The New York Fire Insurance Rating Organization approved us November 9, 1960, for sprinkler supervisory and other fire alarm systems.

Page 11

Q. Does that company engage in the installation and servicing of auxiliary fire alarm systems?

A. We have none.

[fol. 3784] Q. Does your Central Station Alarm Company engage in any remote station or direct-connected alarm services?

A. It does not.

Q. Does your Central——

A. I am sorry. The local alarm division of the Central Office Company does have remote connected alarms, about a half a dozen or so.

Q. In what area does the company operate?

A. Outside of the City of New York. The local alarm?

Q. I am talking about your direct-connected or remote station at the moment.

Page 12

A. Outside of the City of New York. There might be two or three exceptions from an account we have purchased in the past that had previously been connected to an answering service.

Q. Does your Central Station Alarm Company engage in the installation and servicing of local burglar alarm systems?

A. Yes.

Q. Mr. Goldstone, have you prepared, at my request, a statement of the volume of your central station protection business?

A. I have, but I didn't make a copy of it for my own record so I would like to read from it.

Mr. Story: May I see it, sir, and perhaps we can [fol. 3785] obviate that.

The Witness: Here it is (handing).

Q. Mr. Goldstone, I notice that for your central station operation you have only the year 1960. Have you prepared for us and do you have the year 1961, also?

A. Let me check my records, please.

Q. Here they are (handing to witness).

A. I would like to comment that the reason we only have 1960 is that we were not actively engaged in the central office business until January 22, 1960.

Page 13

Q. My question was: Do you have the tabulations for the year 1961 on your central station protection business?

A. No, I do not.

Q. The form which you have just shown me is a form that I supplied to you and the form erroneously deleted the column for 1961?

A. It would be easy enough for me to get those figures for you.

Mr. Conkling: How about the figures for 1962, Mr. Story?

The Witness: Our figures are not complete for 1962.

Mr. Conkling: For the first 11 months, as far as you can go.

Mr. Story: So far as I am concerned I have not asked [fols. 3786-3787] for it past 1961, in the year I filed this case.

The other thing is that both of the companies have not finished their fiscal year.

Q. Mr. Goldstone, would you prepare, in addition to the form you have there, your central station volume for the year 1961, and submit it to the court reporter at the time that you are given this transcript for signature?

Page 14

A. Yes, I will.

Mr. Conkling: 1962, Mr. Goldstone.

The Witness: Yes, I will.

* * * * * * *

[fol. 3788] Q. For what period of time does your central office alarm company write its central station protection contracts?

A. The contract is printed with a three year term on it. When competition demands it is written for a five year period, or if a subscriber should request it, we put a five year period on it.

Q. Approximately what percentage of your central station protection contracts at the present time have been written for a three-year period?

A. Ninety percent of them.

Q. Do you have any contracts which have been written for periods less than three years?

[fol. 3789] A. Yes. When subscribers have leases on a

building they will tell us they have a lease and they want the contract less, or if they feel they are taking a chance with us against ADT or Holmes, they may feel they want to get a year's experience with us before committing themselves to a longer term.

Page 29

(Record read.)

Q. Mr. Goldstone, from whom does your company purchase the devices and equipment which you use in your central station protection operation?

A. Imperial Products, New York; Alarm Devices, New York, Walter Kidde, New York, Mosler, Connecticut; Rego Wire, New Jersey; and Bright Star Battery in New Jersey.

Page 30

Q. Have you prepared at my request the amount that your company expended for your last two fiscal years for devices and equipment going into your central station operation?

A. In 1960 we spent $47,501.15.

In 1961 we spent $92,240.04.

* * * * * * *

[fol. 3790] Q. Does your company retail title to the central station alarm systems which you install on your subscribers' premises?

A. In most cases, yes.

Q. Have you on any occasions sold the alarm systems to the subscribers which you are now servicing?

Page 31

A. When a subscriber has asked to purchase same we have sold it or we have given them an option to purchase it at a given price at any time in the future after allowing a reasonable depreciation.

Q. On how many instances have you sold the alarm systems to your subscribers?

A. On one or two occasions. That is all we have been asked to sell.

Q. What type of alarm systems were those?

A. Burglar alarm systems.

Q. Do you know whether or not there have been issued an Underwriters' Laboratories certificate on those systems where the subscriber owns the alarm system on his premises?

A. Yes, we have.

[fol. 3791] Q. I think you mentioned you have given other subscribers options to purchase the systems after a period of time.

A. Yes.

Q. For what period of time are these options exercisable?

A. Usually within any time after the termination of the present or any succeeding contract.

Page 32

Q. In how many instances have you allowed that, sir?

A. A few. Five or six.

Q. Does your company allow your subscribers to pay the installation charges on an installment basis over a period of years?

A. Only when forced to do so by competition from ADT, Automatic Fire Alarm, or Holmes.

Q. What is your company's policy concerning the payments of installation charges?

A. If the installation is in excess of one thousand, we arrange for progression payments, with the balance payable upon the completion of installation. If it is under one thousand dollars, we provide for payment upon completion of installation and first day of service.

Q. Why is it your company's policy, sir, to have the installation charges paid upon the completion of your installation or under a progression system with final pay-
[fol. 3792] ment when the system is completely installed?

A. We don't have the capital.

Mr. Conkling: You are talking now about those in which the installation charge is under one thousand dollars?

Mr. Story: I lumped them both together.

Page 33

The Witness: You asked why we don't permit the subscribers to pay this out over a prolonged period of time.

The answer to that is that we have limited capital and we can't afford to finance these various alarms.

When we are forced to finance them, it restricts the growth of our operation and we don't have capital to expand for improved equipment, design, additional personnel and what have you.

Q. Do any of your competitors allow the payment for installation charges over a period of time?

A. Very definitely, yes.

Q. What competitors?

A. ADT, Holmes Electric Protection, Automatic Fire Alarm—I don't know—indirectly it is done. I know of a case where it was an ADT alarm put in sold by Automatic.

Mr. Conkling: How about Central Station Signals?

The Witness: To the best of my knowledge, they have not financed it.

Mr. Conkling: How about Newark District Telegraph Company?

[fol. 3793] The Witness: We never run into them much, nor do we run into Electric Protective Company.

Page 34

Q. Mr. Goldstone, at the present time how many of your central station burglar alarms have been issued Underwriters' Laboratories certificates?

A. 74.

Q. That is as of the present time?

A. Yes.

Q. Would you tell us how many of your central station fire alarm subscribers have received approvals from the various insurance organizations having jurisdiction? And by fire alarm subscribers, I mean your night watch supervisory accounts and manual fire alarm systems, your automatic fire alarm systems, and your sprinkler supervisory and water flow systems.

A. All of them have the approval with the possible exception of one.

Q. How do you know that these systems have been approved by the insurance organizations?

A. We make inspections with the New York Fire Insurance organization upon the completion of each installa-

tion. If it is not approved, they notify us of any corrections they want made, plus we have to notify them monthly of [fol. 3794] inspections, or daily, if anything is found malfunctioning or out of the normal set condition.

Q. Does the City of New York allow alarm systems to be connected with the fire or police department?

Page 35

A. Yes, they do.

Q. What types of alarm systems are allowed to be connected to the fire and police department?

A. Charitable and municipal and state and federal systems.

Q. State and federal buildings or establishments?

A. Yes. They are permitted to. Many of them don't take advantage of them. Many are connected into ADT or Central Station or Automatic Fire Alarm.

Q. Do you know whether or not any commercial enterprise—and by that I mean non-charitable and non-governmental institutions—are allowed to connect alarm systems directly to the fire or police departments in New York City?

A. Our contract with the fire department indicates that the fire department can permit such connections. I have not been able to determine whether or not there are any in existence.

Q. Have you ever inquired?

A. Yes, I have.

* * * * * * *

[fol. 3795] Q. Could you tell us the number of accounts that you have in the State of New Jersey which are services from your central station in New York?

A. Under ten. Very few.

Q. Could you give us the accurate information on that, sir, the number of accounts and also the revenues for your company's last fiscal year?

A. Six is the number.

Q. Could you tell us the annual service charges?

A. $10,131.88.

[fol. 3796] Page 37

Q. I think you testified that you started conducting

approved central station protection service during the year 1960.

A. Correct.

Q. Since that time, sir, has your company instituted any general price increases which you would charge new subscribers for your installation charges and your annual service charges?

A. We have not.

Q. Has your cost of operating a central station increased during that period?

A. It has.

Q. Is there any reason why your company has not increased its prices in the last two years?

A. Our competitors have been drastically competing at low prices and I have examples of such cases. As a matter of fact, they are even putting in installations free in our operating territories before buildings are leased, in the hope that somebody will take it and continue their services.

Q. Since you have been in the central station protection business here in New York, have any of your subscribers canceled or terminated their contracts, your central station subscribers?

Page 38

A. Yes.

Q. On the termination or cancellation of your central [fol. 3797] station protection contract, has your company removed the alarm system from the subscriber's premises?

A. It depends on the situation. If the subscriber is remaining in the premises, yes, we will not let remain our control instrument and bell, or any electronic equipment, the salvageable equipment.

If a subscriber is not remaining in the building and the building is not going to be torn down, we will leave it in for a period of time in the hope that we can sell our services on the existing system to a new account.

If a customer has not paid his bill or there is a bankruptcy involved we will try—not try, but we will remove our equipment, the salvageable or depreciable equipment.

Q. Since you have been in the central station protection business here in New York, have any of your central station protection subscribers discontinued central station protec-

tion services and asked your company to install local alarm services?

A. No.

Q. Since you have been in the central station protection business, has your company installed central station protection service in any premises which your company previously services by local alarm services?

Page 39

A. In any one of our accounts having local services, yes. [fol. 3798] There have been our accounts, and General accounts, and Central Office local accounts, which have converted to central office connected systems.

Q. How many?

A. 150.

Q. Now, sir, since you have been in the central station protection business have any of your central station subscribers discontinued central station service and asked your company to install direct connected alarm services?

A. Repeat that please.

Q. Since your company has been in the central station business have any of your central station subscribers discontinued central station service and asked your company to install direct connected or remote station service?

A. No, just the opposite.

Q. Since you have been in the central station business has your company installed central station protective service in any premises where any of your company's previously furnished direct connected or remote station service?

Page 40

A. Yes, we have.

Q. In approximately how many instances?

A. 30 or 40.

Q. Now, sir——

[fol. 3799] A. Pardon me. It is more like 90.

Q. In other words, is that conversion from direct connected service to central station service?

A. Right. Yes.

Q. Since you have been in the central station protection service have any of your central station subscribers dis-

continued central station service and thereafter utilized the services of watchmen to protect their premises?

A. No. Once again, just the opposite.

Q. Since you have been in the central station protection business, have you installed your central station protection systems in any premises which were previously protected by watchmen?

A. Yes.

Q. In how many different occasions?

A. Well, we have two or three of them and several we lost to ADT or one of their companies—I am not sure which one.

Page 41

Q. Prior to the time you established your central station operation and received approvals to conduct accredited central station protective service, did you lose any prospective subscribers because you were unable to furnish accredited central station protection service?

A. Yes.

Q. In how many instances did that happen in the three [fols. 3800-3801] or four year period prior to the time you were a central station?

A. In three to four years prior, quite substantial amounts, perhaps 50 a year. In the early organization part of our company, from mid-1959 to the beginning of 1960, and even into the middle of 1960, we lost about 30 or 40, and even after we had been approved we lost accounts because our competitors were continually telling people that we were not approved, even at this late stage of the game where we had approvals for three years, we are still getting reports from subscribers that "The ADT salesman said you were not approved." I had one yesterday.

* * * * * * *

[fol. 3802] Q. Mr. Goldstone, since you have been in the central station protection business here in New York, has it been reported to you that any of your competitors have submitted second bids while bidding against your company?

Page 65

A. Yes, it has.

Q. Would you name the companies where you were bidding for the protection account and it was reported to you that any of your competitors submitted a second bid while bidding against your company?

A. Alexander's on Queens Boulevard.

Q. Let's talk about Alexander's. Tell us what happened in that particular case.

A. We were called in to give a bid. They had already quoted. Our bid was accepted very favorably. Within 24 hours they came in with a reduced bid. We were informed of this by Mr. Farkus, who is a principal of Alexander's.

Q. When did this bidding take place?

A. 1960 or late 1959, for an installation to be completed in early 1960.

Q. Which one of your competitors submitted the second bid?

A. Holmes.

Q. Did you obtain that contract?

A. We did not.

I was told that since they had come to such a reasonable [fol. 3803] price there was no sense in taking a company that had not been established.

Page 66

Q. Do you have any other instances?

A. W. & J. Sloane on Fifth Avenue, in 1962. We were asked to make a quotation on that. They took over a building formerly occupied by Oppenheim-Collins, 39th Street and Fifth Avenue. The Holmes Company came in with an estimate approximately $18,000. We came in with an estimate approximately seven to eight thousand dollars for the same work they had originally quoted on. They dropped their price to a little more than five thousand dollars, and were awarded the contract.

Q. When did that take place?

A. That took place this year, early 1962. We had another case in late 1959. Paramount Pictures had a subsidiary company on the far west side. Our bid was favorably accepted and the Holmes Company once again came in at a

lower price on the second bid. There is another case in Maspeth.

Q. Just a moment. Did you get the Paramount account?

A. We got none of these.

Q. Go ahead.

A. Sang & Pollack, a drug firm, opened up a warehouse close

Page 67

to our office and we gave a quotation both as to burglar and fire alarm. Automatic and Holmes changed their prices.

[fol. 3804] Page 67

Q. What is Automatic?

A. Automatic Fire Alarm Company. They dropped their price on the installation of the fire alarm system and Holmes maintained their price, but between the two of them they ended up lower than our quotation.

Q. When did that take place, sir?

A. Late 1959 or early 1960. Subsequent to the award of the contract they couldn't get approvals on their installation and they had to get additional moneys from Sang & Pollack in order to bring the system up to standard.

Mr. Pollack is a neighbor of mine and this is how I found out about it.

Q. Now, sir, since you have been in the central station protection business here in New York, have you had any meetings with any of the representatives of either the American District Telegraph Company, the Holmes Electric Protective Company, or the Automatic Fire Alarm Company?

A. I have.

Q. With which company?

A. With all three.

Q. After you were in the central station protection business, will you tell us your first meeting with representatives?

[fol. 3805] A. When we started our business in 1959 a Mr. Roberts of Automatic Fire Alarm Company—he is a sales manager, I believe—stopped by our plant and I happened to be there. The building was under construction and he told us he wanted to see what happened. He had heard we were going into the central office business. We

showed him around the building and discussed some of our structural plans for the building, and what our operation was going to be.

That was some time in 1959.

In 1960, when I had a discussion with Mr. Drew and Mr. Roberts about providing us—Mr. Drew is president of Automatic—providing us with a fire alarm re-transmission device to connect our office with the various fire headquarters signal stations——

Q. Where did that meeting take place?

A. At the Automatic Fire Alarm office. I went to see their transmitter. They agreed to make one for a lesser price.

Q. Will you continue?

Page 69

A. I met Roberts and a bunch of the Automatic men—I don't know who they all were—at a testimonial dinner given for a retired fire chief. This must have been in late 1961.

Q. Going back to the time you went to the Automatic Fire Alarm office, did you have any discussions with repre- [fol. 3806] sentatives of the AFA?

A. Yes. I so stated.

Q. Tell us where at the Automatic Fire Alarm Company you were? Where did you have these discussions?

A. Part was in Mr. Drew's office and part in an outer office where they have their equipment on display.

Q. Tell us what took place at that meeting.

A. They demonstrated certain of their equipment devices to me. Mr. Drew wanted to know why we were going into the fire alarm business when we were supposedly experts on burglar alarm. I explained that we felt that all protective services should be given by any one company; it was the only way to provide proper service.

He asked me if I was going to raid his accounts. I told him that if I got paid for any installation or got representative money or just didn't lose money, that that was going to be my aprpoach.

Page 70

He told me that I was going to starve in the business

and the only way I could make any money was to be another Robinson. Robinson is a man in Philadelphia who started a central office in Philadelphia—we also operate in Philadelphia. Automatic and ADT contended that Robinson went in and took away many of their accounts.

[fol. 3807] Q. Don't tell us what they contend. Tell us what Mr. Drew told you.

A. He told me I would have to be another Robinson and unless I took his business and ADT's business, there was no business to be had.

I told him I was not in business to give away money and I was in business to make money. If accounts wanted to transfer from him and wanted to come to me, I would take them.

Q. Did Mr. Roberts make any comments during this discussion?

A. Nothing consequential as I remember.

Q. Was anything else said at that meeting other than the fact that you would have to raid Automatic Fire accounts?

A. No. Just that there is no more business around. They told me there is 100 to 150 alarms put in in New York City a year, and that a company could not survive on that and certainly I was not going to get a big percentage of that. They explained all the expenses and the involvements and details and everything else to me.

Page 71

Q. Did you discuss the prices that you would charge for central station protective service at this meeting?

A. Yes. They told me that there had been a price war going on in New York City which could only be between them and Central Station Signals.

[fol. 3808] Q. "They" Which one of them told you this?

A. Mr. Roberts mentioned this continually and I have had occasion to speak to him when the transmitter they supplied was not functioning.

Q. What did he say had been taking place for years?

A. That there had been cutthroat competition. He told me that alarms were being put in at no installation charge and that service charges annually were as low as $180 for basic systems, which anybody in the business knows is a

ridiculously low price, because you can not make money on this type of installation unless your intent is to charge more at the end of an expiring contract.

Page 72

I said I just was not going to be involved in that type of business, that I thought there were enough representative business people around that wanted to get new competitors in the field, and would be happy to pay a fair price for it.

As it turned out, I was right. We built up a small business but the business we have built up we have not given away.

I have not seen evidence of the competition that they talked about. I have not actually gotten in on enough jobs.

Q. Have you told us all you can recollect as having transpired at this meeting?

A. Yes.

[fols. 3809-3810] Q. Subsequent to that time, have you had any discussions with either Mr. Roberts or Mr. Drew of the Automatic Fire Alarm Company?

A. Yes. I then inquired as to the purchasing of their manufacturing company. They have Reeve Electric Company or Reeve Manufacturing Company, which makes bells and fire alarm equipment. It also made a Dynalarm system for burglar alarm, which was originally owned by General Alarm Company in Boston. When they bought that company I understand that they got permission to buy it on the sole basis they kept the General Burglar & Fire Alarm equipment open to other people in the industry. We could not quite get good cooperation from them in trying to purchase the individual pieces of equipment, and I tried to buy the General Alarm fire equipment and the Dynalarm equipment from them.

Page 73

Q. When did that take place?

A. In 1960 and 1961, several times. We had been buying some of the equipment from them on the Bynalarm for the burglar alarm. The fire alarm they told us they don't

have certain parts and devices and not a complete line. They discouraged me from buying anything else from them.

* * * * * * *

[fol. 3811] Q. Is your Imperial Products Company, Inc., the only of your companies that does any manufacturing?

A. They manufacture the standard burglar alarm devices. The custom made devices are manufactured by each of the separate operating companies.

Page 103

Q. When you differentiate between standard devices and custom devices, are you differentiating also by reason of underwriter approval?

A. No. Standard products are contacts, door cords—devices that can be used universally. Custom devices are screens or kernels that are made for particular locations. The operating company makes its own custom equipment such as a door panel.

Q. Is the equipment which any of your four companies manufactures sold on the open market?

A. Yes, sir.

Q. By all four?

A. It's available through all of the operating and manu-
[fol. 3812] facturing companies.

* * * * * * *

Q. What is the revenue which each of your company has derived from such outright sales?

A. We have no way of breaking it down except for Imperial.

Q. Give it to me for Imperial Products then.

A. Should I start with 1955?

Q. You are reading from a paper again?

A. Yes.

Q. May I see it?

[fol. 3813] A. Yes, here it is (handing).

Mr. Conkling: Let's first mark this paper that the witness is referring to as Defendants' Exhibit E for identification.

(Document marked Defendants' Exhibit E for identification.)

Q. You are going to give me a manufacturing figure, a revenue figure for manufacturing for Imperial for 1955?

A. Correct.

Page 105

Q. Which figure is it?

A. This one (indicating).

A. $45,285.21.

Q. And you have similar figures for each of the next four years?

A. Yes.

Q. Read them.

A. 1956, $68,112; 1957, $66,671;—I am not mentioning the odd cents—1958 was $87,040; 1959 was $124,057; and 1960 was $156,091.

* * * * * * *

[fol. 3814] Q. In what area generally are those sales of the equipment represented by the figures you have just mentioned made?

A. Continental United States.

Q. You say that all of that equipment is so-called standard equipment?

A. Yes, sir.

Q. As you defined it earlier?

A. Yes.

Q. Have there similarly been sales of what you have called custom equipment to others in the industry in the continental United States?

A. Not from Imperial but from other companies, from the operating companies.

Q. What do those sales figures amount to?

A. I would say aggregately, in one year, they have never [fol. 3815] exceeded $50,000.

Q. Does $50,000 represent——

A. This is to other than government?

Q. Yes.

A. Yes.

* * * * * * *

Q. You have held aside, as I understand it, the sales of such equipment by your companies to the government?

A. Yes.

Q. What do those figures amount to over the same period?

A. We only began doing government installation around 1960 and I would say our sales have been running ag- [fols. 3816-3818] gregately around $250,000 to $300,000 a year.

Q. For calendar years 1960, 1961 and 1962 each?

A. Yes.

Page 108

Q. And those sales to the government include an area generally represented by continental United States also?

A. Yes, sir.

Q. Do your own operating service companies buy only from your manufacturing company or divisions?

A. No.

* * * * * * *

[fol. 3819] Mr. Goldstone, is there any device or piece of equipment useful in the protective industry that your manufacturing companies or divisions do not or can not manufacture?

A. Yes.

Q. What are they?

A. Ultrasonic—that is do not or can not?

Q. Let's say can not, for the moment.

A. I would say there are certain patented items that we can not manufacture.

Q. Tell me what are the devices that you say you can not——

A. Various contacts, various electric eyes, various ultrasonic equipment.

Q. Is that all?

A. That is all I can think of.

Q. Are the contacts which you have in mind in that answer manufactured by others in the industry?

Page 112

A. Yes.
Q. By whom?
A. Alarm Devices, ADT, Walter Kidde, Mosler.

* * * * * * *

[fol. 3820] Q. Getting back again for a moment to your central station office alarm company, the central station operating company, which has also a local alarm division, and referring to the central station operation that you talked about this morning, what is the actual operating area of that company, if you can draw a circle for me around your office?

A. Generally within 20 or 25 miles. We do have some accounts that go further out.

Q. What is the address of your business office?

Page 116

A. 37-08 Greenpoint Avenue, Long Island City.

* * * * * * *

[fol. 3821] Q. Is there a difference in required response time in let's say the fire side of your business than the burglary side?

A. Yes.

Q. What is the difference?

A. In the fire side of your business you don't have to respond within an hour. You provide a run in within an hour's time. In burglary protection, not more than 20 percent of your approved installations can be serviced today in more than ten minutes.

Q. This is speaking both of fire and burglary and having in mind the required response times, I take it this is to afford to your subscriber accredited or certificated service?

A. Not necessarily. There are many areas that you can get different types of certification for that which may vary very little.

I am not sure I get your question?

Page 117

Q. Can you get different types of certification for central office burglary alarm?

A. Yes.

Q. What are the different types?

A. You have a Grade A number 1, and Grade A number 2, and Grade A number 3.

Q. Are the differences dependent only on response time?

[fol. 3822] A. No. Some of it is the type of installation. The 1 and 2 differ from the 3 in respect to installation as well as the response time.

* * * * * * *

[fol. 3823] Q. Let's turn now to your central station operating companies' revenue. What is the last full year you do have revenue figures for the Central Office Alarm Company, Inc.?

A. In Central Office I have 1961 and 1962 to date.

Q. Would you tell me what the 1962 is to date? Is this for the first 11 months?

A. No, it is 9 months.

Q. Go ahead.

A. Central office has—this includes local—no, Central Office billing only is $53,001.23.

Q. Is this an aggregate service charge?

A. Service charge for Central Office charge only.

Q. Exclusive of any installation charges derived in that period?

Page 120

A. Yes.

Q. Staying with that same period for just a moment, what is the revenue for the same period 1962, 9 months, derived from the local alarm division of your central office alarm company?

A. We have service billing of $140,561.95, as aggregate [fol. 3824] service for the Central Office Company, of which $53,001.23 is under the Central Office accounts.

This means that $87,560.72 is local alarm use or income derived from local alarm use.

Q. This is for the first nine months of 1962?

A. Yes.

Q. Give me the same breakdown, please, which I think you have indicated you have for the calendar year 1961.

A. The Central Office service billing was $32,568 and

fifty-one cents. The aggregate service billing of central office which includes local and central office, was $159,450.54, which means that our local alarm billing for a 12 month period was $126,882.03.

Q. And when you say local alarm billing, is that entirely local burglar alarm billing?

A. Yes, that is service.

Page 121

Q. Do you have the figures there for your 1961 installation charge revenues?

A. No. I was not asked to get those.

Q. 1960, I take it, is the first full year of your central office operation, and therefore billings, is that correct?

A. Yes. Well, of central office billing, we had local alarm billing prior to that.

Q. Do you have those figures?

[fol. 3825] A. Yes. They are the same as marked on Government Exhibit 2, Central Office began local alarm billing in 1958 and had $9,232.10; in 1959 it had $12,435.09; in 1960 it had $65,228.07.

Q. These numbers that you have just now given me relate to local alarm systems?

A. Only.

Q. But rendered by your Central Alarm Company division?

A. Yes.

In 1960—that was the local alarm division of the Central Office Company.

In 1960 we had central office alarm service $4,714.81.

Q. Mr. Goldstone, referring to the numbers on Government Exhibit 2 for identification from which you have testified just a moment ago, it appears that in 1958 the local alarm division of your Central Office Alarm Company had 210 local alarms subscribers, is that correct?

A. Yes. Well, if that is what it says, yes.

Q. In 1959 there are 208 subscribers indicated.

A. Yes. 1958 was only an eight month billing or nine month billing.

Q. Do you know what the numbers are for the full year's billing in 1958?

A. We had not had any billings prior to that.

Q. I see.

[fol. 3826] Now in 1960 it appears that you had 1908 local alarm subscribers.

A. Right.

Q. Is there an explanation for the somewhat dramatic increase from 208 to 1908 in the one year period?

A. Sales and purchases. In other words——

Q. Clarify that.

A. Our salesmen sold a number of local alarms and we also purchased local alarms from a company that had gone out of business.

Q. Which company was that?

Page 123

A. Mercantile Detective Bureau, Inc. and the Long Island Protective Company, also. There were two of them.

Q. There appears to be a difference of 700 local burglar alarm accounts from 1959 to 1960. Can you tell me how many are represented by the purchase of the company you mentioned?

A. Probably 90 percent of the difference.

Q. And the remaining 10 percent——

A. Would be sales of the systems, plus making up of accounts that we lost. In other words, we had 208 at the beginning of the year and those were not active all year around. We lost some of them. So we made up for those losses, too.

[fol. 3827] Q. If I have not just asked you for your revenues derived from installation charges, then I want to do that now, and have a space left unless you can tell me the answer now for each of the last five years and in each of the categories in which your companies do business.

Are you able to do that for me?

A. I don't know. I will check to see if it can be done. I don't know how our figures are broken up. I don't believe we would be able to give you the exact breakdown of what type of installation it was. Central Office, we can. Local, we can. You are asking us for the Central Office Company?

Page 124

Q. I am going to ask for each of the companies. I think

probably it is better to do it one company at a time, and one after the other.

A. May I have my thing so I can make a note?

Q. In that connection, in what category do you place the sales which you have made over the last five years to the government?

A. That would be put into installation.

Q. Because these are all proprietary system sales?

A. Yes. Anything which is outright sale from the operating companies goes into installation.

Q. Will you include those sales in your installation figures?

[fol. 3828] A. Do you want me to break down which amount was government?

Q. Yes. That would be helpful.

A. That should be easy enough to do.

Q. Do I understand correctly, Mr. Goldstone, that your Owl Protective Company, Inc. renders local burglar alarm service only?

A. It renders proprietary.

Page 125

Q. And direct connected?

A. Remote connected, as well as local, in New York.

Q. When you mentioned remote connected you seemed to differentiate from my use of direct connected; what do you have in mind?

A. Direct connected refers to central office, and remote connected refers to police station or answering service or any other remote office other than our own.

Q. Where a signal transmitted from the subscriber's premises, goes direct to a police or fire station?

A. A fire station would be called an auxiliary, but a burglary signal would be remote. It is just the terminology, that is all.

Q. That is your Owl Protective Company?

A. Yes.

Q. Does that particular company operate in some particular area?

[fol. 3829] A. It operates in all boroughs of New York, New Jersey, Westchester and Connecticut, Nassau and Suffolk.

Q. Having that operating area of your own protective company in mind, is there any difference in that and the operating division of the Central Office Alarm Company, Inc.?

Page 126

A. The central office operates only in Queens.

Q. How about General Burglar Alarm Company?

A. Only in the Bronx.

Q. Would your description of the services rendered by General Burglar Company, Inc. be the same as the services rendered by Owl Protective Company, Inc.?

A. Yes.

Q. Except for operating area?

A. Yes.

Q. So that we understand each other, when you gave me the revenue figures, both operating and installation, it will be for each of the companies that you have to do with and for each of the last five years, right?

A. Right.

Q. That is likewise true of whatever the revenue figures may be from the manufacturing done by any division of each of those companies?

[fol. 3830] A. That might be difficult, but I will try to get it.

Q. A moment ago, sir, you mentioned a guard station. You referred to a guard station that you maintained in the North Jersey area, and another in Westchester, and a third out in Nassau, I believe. Are each of those guard stations similar in operation to each other?

Page 127

A. The way we operate it, as I mentioned before, we have people on call. Out of the number of employees that we have we will assign tours—which are called tours—meaning that they are on duty at a particular location.

Q. Are these full time employees of your companies who live in that area?

A. Yes. Of the Central Office Company.

Q. Who live in the particular area you have in mind?

A. Yes.

Q. You have two——

A. There are three areas where we provide guard service remotely from the central office. One is in Westchester, one in Nassau and one in Jersey.

Q. Where in Westchester?

A. From the Gunhill Road section; in Nassau we operate from East Meadow section near Roosevelt Field, and in Jersey we operate from Paterson.

[fol. 3831] Q. When you say you "operate from" is that in someone's home?

A. Yes.

Q. The home of one of your employees?

A. That is right.

Page 128

Q. Are those subscribers in each of the areas serviced by such guard stations holders of certificates?

A. Yes.

Q. All of them?

A. No.

Q. Those who hold certificates hold what kind of certificates?

A. Grade A number 3.

Q. Those who do not, do not for what reason?

A. They didn't want it or the installation doesn't meet the requirements of the insurance body. There are a lot of installations that are not approved.

Q. How many subscribers would you say there are? If you don't know, approximate it for me; in total in the three outlying areas you mentioned serviced by outlying guard stations?

A. About 100.

Q. How many of those 100 are certificated?

A. Probably about 25 or 30 percent.

[fols. 3832-3833] Q. Would the revenue from those particular accounts be included in your central office alarm central station revenue figures?

A. Most of it, yes, sir. In some cases we will provide a local alarm with a guard response. In other words, if an account is called by the police department that there is an alarm that has been activated or there has been an attempt, then we will make a response with the guard servicing it.

Page 129

Q. If you will refer to Government Exhibit 2 for identification, please, and referring to the 1908 local alarm subscribers for 1960, how many of these were certificated, if you can give me an approximate amount in number or percentage?

A. I would estimate about 150.

Q. Are certificated, and the remainder are not?

A. That is right. Those are the local alarms.

* * * * * * *

[fol. 3834] Have you brought with you today forms of contract which your companies use for the types and services that they render?

A. I may have a copy. As a matter of fact, I know I do.

Q. May I have a copy of each of the forms that your companies use?

A. You will find that the contracts for the New York companies are identical. They all list the various types of services even though some of the companies don't render it. There is a multiple choice in Item 1 of each contract listing the various services rendered.

Q. You have handed me two forms, one labeled "Central Office Alarm Company, Inc."—and the other "Owl Protective Company, Inc." These represent the two forms which——

Page 136

A. General has the same form, too.

Q. You say that the forms are identical?

[fol. 3835] A. Yes, except for the names.

Q. General uses what? The Owl or Central?

A. Central. You will notice that in Item 1 the type of systems available are outlined. If we go into a lead for Owl which is a local alarm and the customer wants a Central Office alarm, it will be signed up for Central Office alarm.

Mr. Conklin: Let's mark the Central Office Alarm, Inc. form of contract as Exhibit F for identification, and the Owl Protective Company, Inc. form of contract as Defendants' Exhibit G for identification.

(Central Office Alarm form of contract marked Defendants' Exhibit F for identification; Owl Protective Company, Inc. form of contract marked Defendants' Exhibit G for identification.)

Page 143

Q. Do you provide guard service?

A. Yes. We are licensed as detectives in the State of New York.

Q. How many guard service accounts do you have now?

A. Approximately—probably about 600. That is a separate operation. It had nothing to do with the alarm business.

Page 144

Q. Which company operates that?

A. Mercantile Detective Company.

Q. Is that a New York corporation?

[fol. 3836] A. It is a non-corporation.

Q. Who are the principals?

A. Myself and my sister.

Q. Is it a partnership?

A. It is a division of the Central Office Company. It has nothing to do with the alarm business other than it is an auxiliary source of income.

Q. For how long has that division been in existence?

A. Since April of 1960.

Q. Has it filed any certificate to do business here in New York?

A. Yes. This was a company which we had purchased. This was a detective company.

Mr. Story: May we have a short recess? The reporter looks tired.

The Witness: It wouldn't hurt.

Mr. Conkling: We will have a short recess. (Recess.)

Q. Your forms of contract provide, I take it, as a policy matter, as you indicated this morning, for a three year term of service. In some instances you have contracted for longer than three years and up to five years.

A. And more than five years, too.

Q. And in some instances more than five years, too?

Page 145

A. Options to renew the contract for an additional pe-
[fol. 3837] riod of time, at no more than a 15 percent increase for a three year period.

Q. The option is exercisable by a subscriber?

A. That is right.

Q. Committing himself to not more than a 15 percent increase in monthly service rate?

A. That is right. That is for more than five years.

Q. Do you mean in some instances you have contracted initially for longer than a five year term?

A. I will say that that would be the net effect of our affording the subscriber an option to renew.

Q. You say that, as I understand it, because you are committing yourself to not more than a 15 percent service charge increase for the subsequent period at his option?

A. That is right. 15 percent after five years is usually a reasonable

Page 146

figure. Usually your labor cost goes up 3 percent per annum and the normal growth of a business help is to carry additional overhead costs, so 15 percent is reasonable.

Q. Is this true no matter what type of service you have in mind? Central Station Service or other types of service?

A. The labor rates for both groups are approximately the same, and labor is probably about 80 percent of our costs.

Q. So what you say holds true——

A. I would say 70 percent of our cost.

[fol. 3838] Q. So what you say holds true for whatever the form of service you may be speaking about?

Page 147

Q. Didn't you testify this morning, sir, that there have been no increases in prices imposed or sought by your company in the last three years?

A. In the central office company we have not increased our rates. We have only been operating for less than three years.

Q. You mean with your existing subscribers because none of the contracts have reached termination point yet, is that what you mean?

A. Some of them have and have been renewed. Remember, we have less than three year contracts, and we have some with one year and we renewed them without increased prices. We have had no sound reason for increasing our price. It was a competitive rate and it was fair, and with enough volume we should make a profit.

Page 154

Q. While we are on that subject for a moment, this morning, answering Mr. Story's questions, you mentioned a W. & J. Sloane account.

A. Yes.

Page 155

Q. You said at the time Holmes Company had bid $18,000 and that you had bid $7,000 to $8,000.

[fol. 3839] A. Just under eight.

Q. Who had bid first?

A. Holmes.

Q. Did you know what Holmes' bid was?

A. At the time of my bid, no.

Q. What was your bid to W. & J. Sloane based on?

A. It was the same openings as the Holmes Company had bid on.

Q. What were the openings?

A. There were 100 and some-odd openings.

Q. You don't recall how many?

A. No.

Q. How many units of installation?

A. 100 and some-odd.

Q. 100 and how many odd?

A. 125, 150.

Page 156

Q. Is this at the new W. & J. Sloane location?

A. Yes.

Q. When did this take place?

A. Early in the year. He didn't want us to bid on the job at all. He wanted Holmes regardless of what it was. It was through the association with city stores that we finally were permitted to bid.

Q. Was that a superivsory service installation of some kind?

[fol. 3840] A. This was a direct connected burglar alarm system into the central office.

* * * * * * *

[fol. 3841] Q. I asked you whether you had any correspondence with the Department of Justice or the government concerning the subject matter of this case and I understood you to say yes, you had some, and I understood you just now to ask your office assistant to send such papers here.

A. What I do have are copies of papers which were not sent to the government, but which were discussed with Mr. Story during the interview at my office. They are letters to and from the Grinnell Corporation, to and from the ADT Company and to and from Bleakley, Platt, Schmidt, Hart & Fritz.

Q. You refer to several papers in your hand that you say you discussed with Mr. Story?

A. Yes. This was what I had in mind when I said that certain information had been given to him but copies were not mailed to him because our file copies are not marked as anybody getting a copy.

Page 204

Q. Did you testify yesterday in answer to Mr. Story's [fol. 3842-3844] questions concerning those papers in your hand?

A. I don't know if I was asked about them. I don't remember.

Q. May I see them, please?

A. Yes. There are nine pages total (handing). I don't think they are in chronological order. Perhaps if you did that you would understand it a little better.

Q. These top two sheets seem to be identical two copies of the same thing, is that right?

A. Yes.

Mr. Story: May I see some of those papers?

Mr. Conkling: Let me mark them. I want to get them in chronological order.

The Witness: Those are the papers that refer to our interest prior to the serving of an anti-trust action against the defendants to purchase from them the Holmes Electric Protective Company.

* * * * * * *

[fol. 3845] Q. When did you first solicit a central station account?

A. September or October of 1959.

Q. This was your first solicitation?

A. The first direct solicitation of new central office accounts just prior to the opening of our central office. We [fol. 3846] had solicited existing local alarm accounts prior to that time to find out the feeling of subscribers whether or not they would prefer the higher type of service.

Q. This is of your own local alarm customers?

A. Yes.

Q. You say this was prior to 1958?

A. No. It was in 1958 and 1959. This is when we made a survey among our customers to find out if they would be interested in coming into a central office.

Q. At that time how many of your customers approximately did you survey?

A. I would say a sampling of about 300.

Page 215

Q. Was this a selective sampling of larger customers or just across the board?

A. It was a group of each type of customer in each area, based primarily on the service charge and the nature of the business. The service charge that we made and the nature of the business they conducted.

Q. What was the response?

A. We had about, I would say, 40 percent of the cards returned indicating that they were interested.

Q. You mean about 120?

A. One hundred and some-odd, of which we got about 80.

[fol. 3847] Q. Of those 120 who returned cards indicating they were interested in hearing more, were they from the various groups of the customers you had surveyed?

A. Primarily it was retail stores other than food or cleaning establishments; the smaller type of commercial

store was not interested. Most of the factories that we had solicited answered; jewelry stores answered. furriers answered; haberdashery stores answered. This was the type of business that was apparently interested—the type of people.

Q. Those types you mentioned, holding aside the food stores and the small cleaning establishments, the others that you have just mentioned, some had your local service and some——

Page 216

A. They all had the local service.

Q. Of those who indicated an interest, 120 or thereabouts, did some take your central station service?

A. More than 80, and this was on—most of these things were done over the telephone.

* * * * * * *

[fol. 3848] Q. Of these approximately 80 of your former local alarm subscribers who indicated an interest in central station protection, how many now have that protection?

Page 217

A. I would say that we have lost, of the original group, maybe three or four who terminated their business or moved or sold the business.

Q. Having that group in mind, what was the first installation, central station hookup, actually made?

A. It was made actually on January 22, 1960, the day we opened our office. Other installations had been made in the field waiting for the connection to our office.

Q. Of these 80, were they burglar alarm accounts?

A. Yes.

Q. And their central station protection is burglar alarm protection?

A. At that time it was just burglar alarm.

Q. Is it different now with those 80?

A. There have been changes. We have added holdup as [fol. 3849] a central office connection and fire alarm to at least four accounts.

Q. One of your entries in the paper marked Government

Exhibit 2 for identification indicates that as of 1960 you had 26 central station burglar alarm accounts, does it not?

A. Yes.

Q. How do you reconcile that number with the 80 you have just mentioned?

Page 218

A. We hooked the first one in January 22nd, and we connected in about an average of one every two weeks thereafter, and we didn't want to bring them to our office until our personnel were fully familiar and the building was 100 percent ready.

Q. As of the end of 1960——

A. We had 26 accounts fully connected to the office.

Q. And as of now there are 80——

A. As of now——

Q. —of the former local alarm customers?

A. I would say almost 80. We have lost only a handful.

Q. Is it true therefore that now you have approximately or just under 80 central station——

A. Now? We have in excess of 300.

Q. When did the 80 figure become fixed?

A. Early in 1961. See, all of these installations were made in the field and operating as local alarm systems. [fol. 3850] Contracts were for local alarms to change for central office alarm. We made those changes, most of them, I would say, by March or April of 1961.

Q. As of now, of your present approximate 300 central station subscribers, how many are former local alarm subscribers of yours?

Page 219

A. About 150.

Q. I take it therefore that approximately 150 are new customers, not formerly subscribers of yours?

A. There is more than that. We have in excess of 300. I don't know the exact number. I was not asked to get information about 1961, although you pointed out yesterday it had been to date, and I said I would get it for you.

Q. For the moment, being approximate, in excess of 300; is it more or less than 350?

A. It is hard to say. Between 300 and 400 accounts.

Q. Of that number, of less than 400, how many are former local alarm subscribers of your companies?

A. About 150.

Q. So approximately 250 or less are new customers?

A. More than 50 percent of our customers are new customers. Is that in answer to your question?

Q. Yes. I will take it that way.

[fol. 3851] With this remainder of approximately 200, let us say, new customers, were they formerly customers of any of the defendant alarm companies?

Page 220

A. Some were. Perhaps 10 or 15.

Q. Were formerly customers of which defendant alarm company?

A. ADT, Automatic and Holmes.

Q. Approximately how many of each, if you know?

A. I would say it is equally split between the three of them.

Q. When did you first solicit the business of any former subscriber of any——

A. What does the word "solicit" mean?

Q. Seek to sell to.

A. You mean to seek out or after we were called in? Soliciting in our business means that we go directly on a cold canvass to make the introduction and sale.

Q. Let's use that definition.

A. To date we have not actively solicited active accounts of other alarm companies. The reason for this——

Q. No. You have not, you say, to date?

A. That is right.

Q. In the approximately 15 instances of present customers of yours formerly customers of one or another of the defendant alarm companies, do I understand your testi-

[fol. 3852] mony to be that in each instance that customer came to you or sought a bid or a quotation from you?

Page 221

A. Yes. Many more sought bids from us, but of the 15 we have, or 16, all of them did seek our services.

Q. Which 15 are they?

A. Lord & Taylor.

Q. Manhasset?

A. Yes.

Q. Go ahead.

A. Korvette-Fifth Avenue; New York Mirror, Brooklyn; Allied Stores, warehouse on the west side of Manhattan; Franklin-Simon, 34th Street; The United Parcel, Woodside; there are realty companies that I don't remember the names of, they have automatic fire alarms, two or three in Brooklyn, two in lower Manhattan, and one in the Bronx. That is all I can recall.

Q. I think you have named 11. Does that about constitute——

A. From my recollection at this moment, that is all. We could review all of the accounts that we presently have and determine whether or not they had been former subscribers of your defendants.

Q. Do you have any current subscribers who were formerly the customers of Central Station Signals Company?

[fols. 3853-3854] Page 222

A. Yes, we do.

Q. Approximately how many of those?

A. About 60. These are alarms that had been connected into central station, which had our local alarms supervised into their office. When we went into business we took them into our office.

Q. Do you have local alarms currently hooked into any other central station?

A. Yes, into Central Station Signals.

Q. How many of those do you presently have?

A. Half a dozen or ten. Something like that. We have them also in police stations in the suburbs, and we still have some in answering services.

* * * * * * *

[fol. 3855] Q. Have some papers been delivered to you from your office as you requested before lunch?

A. Yes, with reference to the W. & J. Sloane estimate.

Q. May I see them?

A. I would like to make one comment, that the date on the other papers which are marked as an exhibit for W. & J. Sloane had bore the date of January 9th. I explained

to you that my secretary had typed this from her steno pad and the stenography was given January 9th, but these letters are dated January 10th and copies of the letter that had been sent to them. I think the error occurred yesterday when she made the typing. She took it as of the date of her dictation.

Page 232

Q. You have just referred to what is now marked Defendants' Exhibit——

A. You will notice that the letter is dated January 10th, which I am now submitting to you, and it is exactly as Exhibit K, with the exception that the schedules which were missing in Exhibit K this morning, that would be Schedule No. 2——

Q. May I see what you now have?

A. Just a moment. Let me explain this.

Schedule No. 2 which had been deleted——

[fol. 3856] Q. Deleted from Exhibit K?

A. Yes. Her copy now includes it.

I also would like to make a correction on prior testimony that our quotation had been $8,000 approximately for the W. & J. Sloan account, and our records now indicate that the copy of the quotation for the work that was ultimately done and signed and accepted by Holmes, was for about $5,000, and we had quoted $2,286.

I have been reminded that the Holmes' quotation of $18,000

Page 233

originally included all that work listed on Schedule 1 of our contract, which we did not recommend they do. They deleted some two hundred and some-odd openings from protection which made the difference between their five thousand and eighteen thousand. However, our quotation for what they had quoted eighteen thousand for was approximately $8,000. I will give you this (handing). This is just another copy of the same thing.

Q. May I see it?

A. Here it is. The green copy that you have is a copy that had been sent to me in Puerto Rico. I had left after dictating the letter and before they sent it to W. & J.

Sloane they wanted me to review it, so I made my comments on it in ink and mailed it back.

[fol. 3857] Mr. Conkling: The witness hands me a stapled group of papers, seven pages, which appear to be a copy of a letter from Central Office Alarm Company, Inc. over the name of the witness, addressed to W. & J. Sloane, dated January 10, 1962, a 2-page letter, to which is attached "Schedule No. 1," which runs for three pages, and "Schedule No. 2," which runs for two pages; this consists of seven pages in all, which we will mark as Defendants' Exhibit U for identification.

(Defendants' Exhibit U marked for identification.)

Page 234

Mr. Conkling: The witness hands me also four white sheets stapled together, dated January 10, 1962, which purport to be another copy of the letter which is now Defendants' Exhibit U for identification. However, the three pages consisting of Schedule 1 are omitted.

Q. Is that correct, Mr. Goldstone?

A. That is correct. It is noted that Schedule 1 is incomplete and it makes reference on the top right-hand corner to see the green file copy.

Q. Is the green copy, now Defendants' Exhibit U, a true copy of the original letter which actually was sent to W. & J. Sloane?

A. With the enclosures of Schedule 1 and 2, it is. And [fol. 3858] Schedule 1 and 2 are included in that exhibit.

Mr. Conkling: The second copy which I have just described is to be marked as Defendants' Exhibit V for identification.

(Defendants' Exhibit V marked for identification.)

Q. What installation was made at W. & J. Sloane, Mr. Goldstone, if you know.

A. Schedule 2.

Q. Schedule 2 from Defendants' Exhibit U for identification is the installation actually made?

Page 235

A. Yes.

Q. You say that is so?

A. Yes. There might have been one or two changes but I don't think there was a substantial difference.

Q. For the proposed installation described in Schedule No. 2 of Defendants' Exhibit U, you bid and quoted $2,286?

A. If that is the figure that is there.

Q. Total installation $2,286. Is it your testimony that Holmes bid $5,000 for approximately the installation described in Schedule No. 2?

A. Yes.

Q. And Holmes got the job?

* * * * * * *

[fol. 3859] Page 250

Q. Reference has been made from time to time to the phrase "installation charge," Mr. Goldstone. Do you call an installation charge by that name or do you use any other name?

A. Installation or construction charge.

Q. Do you ever use the phrase "advance service charge"?

A. No. Well, yes. On a monthly charge we say that the money is due and payable in advance and therefore it is an advance service charge, but it has nothing to do with the initial or construction or installation charge.

Page 251

Q. Your reason for not liking to extend to a subscriber the right to pay over a period of time, installation charge is what I am talking about, it is the economic reason that you have limited capital?

A. That is right.

Q. What capital do you have available in this business?

A. In the four companies I would say there is $25,000 to $35,000 used for working capital.

Q. Referring to your various letters and the papers which were marked earlier today as Defendants' Exhibits L through S, particularly the letters from your company

to the Grinnell Corporation, and let's refer specifically to [fols. 3860-3861] your letter of March 25, Defendants' Exhibit L for identification, had you in mind at the time you wrote that letter paying any money over for the purchase or acquisition of the Holmes Company?

A. I obviously intended it as such. We wrote them saying that we were interested in arranging for a purchase. I believe this was prior to your anti-trust suit.

Q. What purchase price did you have in mind?

Page 252

A. It would run into several million dollars. Exactly how much I don't know, because I didn't know the true value of the company.

Q. By several million, can you clarify that at all?

A. Five, and maybe more.

Q. What is that figure based upon? Anything in particular?

A. It was my understanding that the Grinnell Company purchased the Holmes Company for about four million dollars.

Q. What is that understanding based on?

A. Information within the industry. With respect to any validity, I have no record of it, but it has long been a desire of my family to try to acquire the Holmes Company if we could.

* * * * * * *

[fol. 3862] Q. You testified that you estimated about 150 central station subscribers of your New York companies, had formerly been local alarm subscribers. You testified in Philadelphia when you testified there, that 150 formerly local alarm subscribers had become central station subscribers of your Pennsylvania companies.

Is that a coincidence or are you talking about the same——

A. That is a coincidence. In Philadelphia we discussed only Philadelphia, and in New York only New York.

Q. Those numbers are accurate in both instances?

A. Within reason. I believe when we were in Philadel-

phia you asked me to pinpoint that more clearly before you walked out of the deposition.

* * * * * * *

[fol. 3863] Q. This is the nature of most of your testimony, isn't it, 2nd, and 3rd-hand?

A. No. It is first-hand in that it was given to me. I didn't review the pricing situation with your defendants. I have never had occasion to discuss that with them so anything about prices I was only able to get from the subscriber.

Q. I thought you did say yesterday in some alleged conversation with Mr. Roberts that reference was made to a "price war"?

A. He had told me that when—both he and Mr. Drew had told me that the only result from my pirating their accounts or taking their active accounts would result in a price war. But that is not discussing their prices with Lord & Taylor or Franklin-Simon or anything else.

[fol. 3864] Page 268

Q. Is your business profitable?

A. Yes.

Q. Does the company make a profit?

A. Our companies make nominal profits. The living from the business is profitable or it is good.

* * * * * * *

Q. How many local alarm subscribers do you now have?

A. I don't know.

Q. Approximately?

A. I don't know. The information would be available to you in the spaces that you left in the transcript where [fol. 3865] you requested me to fill in.

Q. It numbers, however, in the thousands, does it not?

A. Yes.

Q. Is it 5000?

A. Approximately.

Q. What is the average time for which you have ren-

dered service to that group of 5000 subscribers, would you say?

A. Prior to the time—in a local alarm situation we have no control over the alarm system. We don't know whether it is working or not working unless the customer notified us.

Page 281

If a subscriber notifies us before noontime, it is our practice to service before the customer closes that same day. If the customer notifies us after noontime, I would say that 80 to 90 percent of those customers receive service that same day and the remainder are left over until the following morning.

Q. Is this certificated service?

A. Some are.

Q. Of the 5000, approximately what percentage is certificated?

A. Between 15 and 20 percent.

Q. Are certificated?

A. Yes.

Q. I don't think you answered my previous question, but perhaps you think you did. I asked you what is the [fol. 3866] average time which your companies have been furnishing local alarm services to this group of 5000 customers.

A. When you say——

Q. How long have you had them as customers on an average?

A. The length of a subscriber?

Q. Yes.

A. I would say somewheres around six years, five years. That is the length of life of an account.

Page 282

Q. Have you lost any local alarm subscribers to any other company?

A. Yes.

Q. I am not talking about any changes to your central station company.

A. No. To other local alarm companies, to Newark District Telegraph, to Electric Protective.

Q. To the defendants, to any of the defendants?

A. Oh, yes. ADT and Holmes. None to Automatic Fire Alarm. They don't do that.

Q. How many local alarm subscribers have you lost in 1962 to a central station company other than your own central station?

A. Our central office company?

Q. Other than your central office.

[fol. 3867] A. Perhaps a dozen to two dozen.

Q. What are the types of business establishments? Would you give me the range of business establishments that are services and represented by these 5000 local alarm subscribers that you have?

A. The only answer I can give that is that you are probably familiar with that, central office accounts, is that they would be almost exactly the same range of types of business.

Page 283

Q. Is that true also of your direct connected subscribers?

A. Yes. It depends upon the size of accounts, how security conscious they are.

* * * * * * *

[fol. 3868] Q. You have handed me three sheets all dated February 16, 1963, showing the numbers of subscribers for the years 1955 through 1962, together with the revenue figures for Central Office Alarm Co. Inc., General Burglar Alarm Co., Inc. and Owl Protective Company, Inc. respectively.

A. I would like to comment——

Mr. Conkling: I will mark them as Defendants' Exhibits Z-1, Z-2 and Z-3 for identification, in the order mentioned above.

(Three sheets referred to above, dated February 16, 1963, marked Defendants' Exhibits Z-1, Z-2, and Z-3 respectively for identification.)

[fol. 3869] The Witness: I would like to make two comments with reference to these three exhibits: The first comment is that all of them are entitled "Central Station

subscribers, and Revenue," and that under Owl Protective and General Burglar Alarm Company, we do not have central office subscribers, the format is the format is the same as used by the Government's form submitted to us to complete, and the word "local" has been added after "BA" indicating that we only have local burglar alarm systems.

Page 291

The Central Burglar Alarm Company we have both local and central office systems, and we added to the format a section for local burglar alarm systems in order to give you a more concise breakdown.

I have another observation I want to make. That is under Central Office Alarm Company, in the year 1960, we showed asterisks next to the volume of business and showed that these figures include the alarms purchased from two local alarm companies, but that the income for the revenue during—the annual income did not represent full year's income as we purchased them during the course of the year.

Q. Looking at the three exhibits, Defendants' 1, 2 and 3——

A. Which is which?

Q. Looking at all three, by addition your gross revenue [fol. 3870] figures of the three named companies can be derived for the years stated; is that correct?

A. Our gross service revenues.

Q. Now, these exhibits also do not include installation revenues?

Page 292

A. They do not.

Q. What were the installation revenues?

A. In excess of $200,000 a year. Probably around $300,000 a year.

Q. For all three companies?

A. Yes.

Q. Or for each of the three?

A. For all three.

Q. When you say in excess of $300,000, probably——

A. It is very close to that.

Q. Closer to $300,000 than $350,000, for example?

A. Probably, yes.

Q. How much of this business, as reflected by Defendants' Exhibit Z-1, 2 and 3 for identification, represent credited or certificated service, Mr. Goldstone?

A. I refer you to an earlier exhibit this morning which was given on the Philadelphia deposition entitled "Number of Underwriter 'Laboratories' exhibits."

Q. That is Defendants' Exhibit B for identification, [fol. 3871] wherein reference is made also to your New York companies, correct?

A. Right.

Q. That is Defendants' Exhibit B for identifica-

Page 293

tion on the Pennsylvania deposition transcript.

So I am sure I read these together correctly, Mr. Goldstone, let's take your Central Office Alarm Company, Inc. This is the company that offers central station services exclusive of local systems, is that correct?

A. We also provide local alarm systems. If you look at this schedule entitled——

Q. I am sorry, I will withdraw that.

A. I would like to—may I clarify one more thing on this?

Q. Go ahead.

A. Previously I had given figures for volume of accounts on the central office, and this represented at that time the volume of transmissions we had into our central office. Here we have listed the actual number of subscribers we bill. This is the same situation as in Philadelphia, whereas, we may have two alarms or three alarms coming in for every one subscriber. This represents only that one subscriber. It doesn't give a breakdown of his particular number of alarms.

Q. Well, sir, referring to the year 1962, in each of Defendants' Exhibits Z-1, 2 and 3, if I added these numbers [fol. 3872] of subscribers correctly, it would seem

Page 294

like you have 3,794 subscribers as of the end of 1962. Does

that sound right to you? That is, of your three New York operating companies.

A. Would you repeat your figure, how much?

Q. 3,794.

A. And you added in the 1407 on Owl, the 516 on General?

Q. Right. And then the figure mentioned——

A. Right.

Q. —for Central Office Alarm Company, Inc. That is right, isn't it?

A. Yes.

Q. And according to Defendants' Exhibit B on the Pennsylvania deposition, the number of certificates issued for the four New York companies, the four top lines of Exhibit B for identification——

A. That is three companies.

Q. It is three companies, but the four top lines apply to New York, don't they?

A. Right.

Q. And indicates that there were 537 certificated subscribers?

A. Right.

Q. Out of the 3794 subscribers of your New York

[fol. 3873] Page 295

companies, right?

A. Approximately 12½ per cent.

Q. And these companies are operating companies only, they do no manufacturing of any kind?

A. Other than custom devices.

Q. Do all they have them manufacture is custom devices?

A. Their own custom devices for their own customers, yes, sir.

Q. For their own use only?

A. Primarily, yes.

Q. Whereas Imperial Products Company, Inc. manufactures for the trade?

A. Yes.

Q. What are the revenue figures for Imperial products Company, Inc.?

A. I don't have those available. I have some. The gross Imperial billing is $45,285 for 1955; 1956, $66,112; 1957,

$66,671; 1958, $87,040; 1959, $124,057; 1960, $156,091. These appear on Defendants' Exhibit E of the New York deposition.

Page 297

Q. Thank you. Now those sales are made where, throughout the United States?

[fol. 3874] A. Yes.

Q. Does that company, the Imperial Company, sell also to your own operating companies?

A. Yes.

Q. What do you charge your own operating companies for sales made by Imperial Products Company?

A. Same as we charge anybody else.

Q. Is there anything that your Imperial Products Company, Inc., does not manufacture for use in this industry?

A. Yes.

Q. Anything in particular, I mean a few items or—I will say what they do not manufacture?

A. Say what they do not manufacture?

Q. Yes.

A. Electronic equipment, including electric eyes and ultrasonic, fire alarm equipment, and——

Q. Is there a reason why you do not manufacture the electronic equipment?

A. We haven't gotten into it and there are patents protecting——

Q. Was it a question of choice?

Page 298

A. No, in some items, it is a question of choice, that you can buy some items on the market that are very readily [fols. 3875-3878] available and reasonably priced. There are others that are patented and then there are others that we haven't selected to go into.

* * * * * * *

[fol. 3879] Q. Mr. Goldstone, in your prior testimony in this deposition, on December 4th and 5th, 1962, there were certain papers provided by you and marked for identification by the defendants, and I call your attention to Defendants' Exhibit L for identification, dated December 5,

1962, which is a copy of a letter from you to the Grinnell Corporation, to Mr. Fleming's attention. Do you recall that letter?

A. Yes, I do.

Q. You say there in the first paragraph "It has been brought to the writer's attention that you might consider selling your interests in the Holmes Electric Protective Company, New York, Philadelphia and Pittsburgh." How was that brought to your attention?

A. I don't recall.

[fol. 3880] Page 314

Q. Now you say then in the fourth paragraph of your letter of March 25, 1961, Defendants' Exhibit L for identification, "The acquisition of the Holmes Electric Protection Company would naturally be a very important addition to our business." Would you explain that to me?

A. Occasionally you will read in the financial pages of the newspapers that small companies acquire companies larger than themselves and they are always termed the same as I had, important——

Q. Additions? Important additions?

A. Important additions.

Q. And you were thus attempting to convey to Mr. Fleming some notion that you acquired from reading newspapers about small companies acquiring larger companies?

A. No. As I mentioned in the letter I had heard—as I stated before—I don't remember where—that they might be interested in divesting themselves of the

Page 315

Holmes company. And in that case, it naturally would be an important addition to us.

Q. Explain that for me, why would it naturally be a very important addition?

A. I don't think I said "important." I said it would be [fol. 3881] naturally important.

Q. No, you say "it would naturally be a very important addition to our business."

A. Then if I state that it should speak for itself. It is a very reputable company and acquisition of it would be to our advantage.

Q. Do you continue as of now to nurture the hope that you might acquire the Holmes Electric Protective Company?

A. I refer you to Defendants' Exhibit O in which I restated my position to make that purchase and any other interests that might wish to divest themselves of——

Q. You refer then to Defendants' Exhibit O for identification, which is copy of a letter from you to Mr. Fleming, again dated April 16, 1961, which is about three weeks after the earlier letter of March 25, Defendants' Exhibit L, is that right?

A. That is right, yes.

Q. And in the letter of April 17, Defendants'

Page 316

Exhibit O, you repeat in the first paragraph that you had heard at the time of your earlier letter that Grinnell might consider selling the Holmes' interests. Does that refresh your recollection as to where and what you heard?

A. I am reading the letter you are referring to. I don't see that reference.

Q. No, I am asking you whether the repetition of it re-[fol. 3882] freshes your recollection.

A. It doesn't come to mind as to where I had heard.

Q. You did say a moment ago that this whole idea was a very important one from your viewpoint, did you not?

A. I did.

Q. And the two letters I have just referred to were written a little less than two years ago and you can't recall the source of that very important information?

A. I don't recall it.

Q. You have testified quite freely about events long antedating April 1961 where you indicate a very retentive memory.

A. If you will permit me a few minutes, I will try to think.

Q. Well, while we are going on perhaps you can think about

Page 317

that, too.

A. I have it.

Q. Tell me.

A. My letter of April 17th, which is the last one we referred to, was stimulated by Defendants' Exhibit N for identification, which was a notice to shareholders of ADT from Mr. Edward Gaston, president of ADT, advising of litigation which the Department of Justice was taking.

Q. I take it you have answered a different question than the one I had asked. I wondered whether your recollection had been refreshed as to the source of your information at the time you wrote the March letter, i.e. that you had [fol. 3883] heard or it had come to your attention that Grinnell might consider selling the Holmes Company. Now, I think that you don't mean, do you, that a notice to shareholders dated April 13, 1961, several weeks after your March letter, gave you any such information?

A. No, I don't mean that. The later correspondence from ADT initiated by earlier correspondence to Grinnell.

Q. You don't mean that?

A. I don't mean that.

Q. Do you recall now in what manner the earlier

Page 318

letter was triggered?

A. May we go off the record a minute? I would like to get a drink of water.

Q. Well, we are going to have to go off the record for that. Go ahead.

(Discussion off the record.)

Q. Now, in Defendants' Exhibit O for identification, your second letter to the Grinnell Corporation of April 17, 1961, sir, you say in the fourth paragraph, "We can appreciate your company's position in wanting to defend the action brought against you by the Department of Justice . . ."

Would you explain that sentence to me?

A. You will note your Defendants' Exhibit N for identification similarly dated April 17th refers to a telephone [fol. 3884] conversation with Mr. Ed Gaston, president of the ADT Company, and it was at that time that he told me to make all references to the defendants' attorneys and also he told me that you were going to defend the action,

that the company's policy was that you were not committing anything in violation of antitrust laws. So that is when I found out about the anticipated defense, and I requested in that same letter a copy of the Justice Departments' complaint.

Page 319

Q. Did you receive a copy of that complaint?

A. Yes.

Q. From whom?

A. From the Hugh McDowell of Central Station Signals, at or about that time.

Q. In your letter of April 17th, Defendants' Exhibit O for identification, you repeat your declared in interest in negotiating and in insuring that you have an opportunity to acquire certain interests of the Grinnell Corporation, do you not?

A. Yes.

Q. Now I ask you again, as of November and December 1962, and February 19, 1963, do you continue to nurture the same hope of acquiring the interest of those companies?

A. It would be nice, yes.

[fol. 3885] Page 320

Q. You testified on your direct examination back in December that there have been no price increases by your New York

Page 321

companies over recent years, is that true?

A. Would you repeat the question?

Q. I say you testified in answer to Mr. Story's questions back in December that there have been no price increases by your company, of your New York companies, over recent years, is that so?

A. If I testified to that, I must have misunderstood the question, because that is not the case.

Q. Have there been price increases?

A. There certainly have been, yes.

Q. Well, you tell me what price increases have there been over the last ten years here in New York?

A. I don't have the information with me.

Q. Well, can you tell me generally?

A. I can generalize for you. There have been voluntary increases on the part of our customers during the course of their contract with us. If we had a substantial labor increase, we notified our customers that we would like to amend our agreement to include anywheres from a dollar to $1.55 monthly increase. It might have been a few, but no more than a hundred accounts that were more than $1.55, but these would not have exceeded five or six dollars [fol. 3886] monthly.

Q. Now, were there such increases several times

Page 322

over the last ten years?

A. I would say that there were about three, maybe four. We just had one recently.

Q. How recently?

A. September of 1962. We had an 18¼ per cent labor increase, and we were compelled to seek relief from our customers. I repeat that this was a voluntary part, because many subscribers didn't agree to it, and those customers we are still seeking to get the increase from through telephone conversation or sales contact. But the increases were relatively small. Oh, wait a minute. I know what you are referring to when you say I testified that we had not had any increases. I believe I was being questioned on the Central Office Alarm Company. We have not increased any of the Central Office Alarm Company customers. I think during earlier testimony in December you asked me if that was because contracts hadn't expired and I told you that we were still in the initial stages of our contract, but we haven't increased or sought a voluntary increase from those customers.

Q. You say that none of your central office contracts have yet expired and therefore you have not sought any price increases?

[fol. 3887] Page 323

A. No, I made reference to what I believe you referred to when you said that I had earlier testified that we had

not had any increases in the Central Office Alarm Company. Some of the customers' contracts have expired, but we have not increased them, but generally their contracts haven't expired because most of them were for a three or five year period. But we also didn't even seek a voluntary increase from those central office customers.

Q. But you did say you did seek increases from other than central office accounts?

A. Yes. When we say central office accounts we are not referring to the company, we are referring to a connection of an alarm to our central office. The local alarms of the Central Office Company were increased.

Q. What was the reason for the increase in the local alarm? Was it to bring price more in line with other prices?

A. No, we had an 18¾ per cent—18¼—it is 12¼ and 6¼—it is 18¾. I am sorry, that figure I gave earlier before should be 18¾ per cent increase in labor rates on local alarms. The central office labor rates were not adversely affected.

Page 339

Q. Mr. Goldstone, in your discussion of your sales of [fol. 3888] proprietary alarm systems to the Federal Government, you stated that most of these systems were installed by your company outside of the operating area of your central stations, is that right?

A. Correct.

Q. How many proprietary alarm systems have you installed in the New York area for the Federal Government?

A. Are you referring to New York City?

Q. Within the operating area of your New York central station since you have been in the central station business.

Q. Yes.

A. They wouldn't let us bid. None.

Q. Would you explain that? I don't understand it.

A. We had a local alarm at the United States Mission to the United Nations, and it actually was a proprietary alarm but we serviced it on a local basis. This was covered under

Page 340

contract by Owl Protective, New York. The United States Mission to the United Nations was moving—I had read this in the newspaper—they were building a new building near the U.N. Headquarters, and I asked the U.S. Mission to the U.N. and the State Department for permission to bid on the new installation and advised them that we had central office alarm available, and I was told by the purchasing agent at the U.S. Mission to the United Nations [fol. 3889] that they were going to give the job to Holmes Electric Protection, and when I said we still would like an opportunity to bid, he said it was being negotiated and that we would not be permitted to bid. I said that it is not a local alarm I want to bid on, it is a central office alarm identical to what Holmes can provide, and I emphasized that the running time between their building and our building during the closed periods, running time being the length of amount of time required to respond from our office to their plant, was somewhat over five minutes, but well under the necessary maximum UL requirement, and they said that this was being negotiated.

I sent a—well, let's see, I sent a letter at that time, I know, to the Department of State, and

Page 341

then I reiterated my comment about a year afterwards to the Secretary of State, Dean Rusk, and to Adlai Stevenson, the American Ambassador to the United Nations, claiming that we hadn't even been able to bid on that job, and also on another proprietary alarm within the area of our central office—that is it not within our area, they didn't permit us to bid on a CIA building outside of Washington. We had always been asked to bid on these various things, and I objected very strenuously and I never re- [fol. 3890] ceived an Acknowledgement concerning that.

Q. In your Philadelphia operation how many proprietary alarm systems have you installed for the Federal Government within the central station range of your operation there?

A. None.

Q. You made mention——

Page 342

A. Wait, wait, wait. I think there was one for the U.S. Navy Department.

Q. How far was that from your central station?

A. Very close.

Q. And what type of an alarm system was it?

A. Central office alarm. Central office. Burglar alarm.

Q. I meant proprietary. This is a central office alarm system for the Navy and not a proprietary alarm.

A. Proprietary alarms we have installed, Philadelphia, one in Trenton.

Q. Is that within reach of your central station services?

A. Yes, we have another central office alarm in Trenton.

Page 364

Q. Did you ever take over one of Mr. Drew's fire alarm accounts?

A. Yes, several.

Q. Did he ever call you about taking any of them?

[fol. 3891] A. Mr. Drew never called me about it.

Q. Did Mr. Roberts ever call you?

A. Yes.

Q. What did he say?

A. I don't recall. It wasn't flattering but the exact words I don't recall.

Q. Tell us in substance what Mr. Roberts said to you, sir.

A. That I had gone in, taken away his accounts, and that this was the beginning.

Q. The beginning of what, sir?

A. Of the battle, this is what I assumed. Yet

Page 365

almost from the first day we had been in there, in the business, there was no secret whatsoever that we would take new accounts—I think I have testified to this before—that we would take our new accounts, be then central station, Newark or ADT or Automatic, but we would get our costs out of it, we were not going into this business to lose money, to pour money into something.

Q. In other words, you promised him on any bidding

you would do it would be a profitable bid, is that right, Mr. Goldstone?

A. That is not right.

Mr. Conkling: I object to the form of the question.

[fol. 3892] A. Mr. Story, I am sorry to say it, but I object to the insinuation that I promised or entered into agreement, I did not promise or enter an agreement, I simply made a statement to them that I was not going to lose money on these jobs unless I had to decide that this was the only way to go into the business, that frankly I didn't care what they did, but what they did would govern my actions.

Q. Well, Mr. Goldstone, there did come a time——

A. Now hold it. We also made this known not only to them, we made this known to the insurance and real estate

people. This was common knowledge.

Q. There did come a time, did there not, when Mr. Drew, the president of the Automatic Fire Alarm Company told you that you had not lived up to your agreement?

Mr. Conkling: I object to the form of the question. There was no such testimony.

Q. Did you testify or ever make a statement in this record concerning that, Mr. Goldstone?

A. I apparently have confused names and dates in the past here, and I will state now that if I have made any such statement, that this is not so; I have never done that.

Q. Did Mr. Roberts every say that to you?

A. Ever say what, sir?

[fols. 3893-3894] Q. That you had not lived up to your original agreement.

Mr. Conkling: I object to the form of the question.

A. No, sir. There was no agreement, I mean—you are insinuating we entered into an agreement and this is not the case. I have had correspondence—not correspondence, but conversations with them. I have even had correspondence with them on different matters.

Page 367

The same way that I am friendly with Newark District Telegraph and Central Station, which are the other operating companies in our territory, and I am friendly. The fact that I visited the ADT office on several occasions and I visited with Automatic, these are just things that within an industry are discussed, but I couldn't see where they would want to enter into an agreement with us, although probably they would like very much if we didn't touch their accounts.

Page 369

Q. Going back, now, sir, to the times Mr. Roberts called you when you took over one of his accounts, can you tell us, to the best of your recollection, what Mr. Roberts said to you?

A. All I have is an impression.

[fol. 3895] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 330

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of MALCOLM GOLDSTONE, Owl Company, General Burglar Alarm Company, 120 North Camac Street, Philadelphia, Pennsylvania.

Page 5

Q. Mr. Goldstone, will you state your name, please?

A. Malcolm (spelling) M-a-l-c-o-l-m Goldstone.

Q. What is your home address, sir?

A. 8 Split Rock Drive, Kings Point, Great Neck, Long Island.

Q. Mr. Goldstone, at the present time are you connected with any companies in the Philadelphia area?

A. I am.

Q. What are the names of those companies?

A. Owl Protective Company, Incorporated, 120 North Camac (spelling) C-a-m-a-c Street, Philadelphia, [fol. 3896] and General Burglar Alarm Company, Incorporated, same address.

Q. Now, sir, for the record, are you connected with

Page 6

any other companies anywhere in the United States dealing with the protection and service business?

A. I am.

Q. Would you name those companies and give us the locations of the companies?

A. Owl Protective Company, Inc., General Burglar Alarm Company, Inc., Imperial Products Company, Inc., Central Office Alarm Company, Inc.

Q. Where are those companies located?

A. 3708 Greenpoint Avenue, Long Island City, New York.

* * * * * * *

[fol. 3897] Q. Mr. Goldstone, today by virtue of the subpena which we issued and had served upon you, we will confine our remarks to your companies located in this Judicial

Page 7

District, in other words, your Philadelphia companies.

A. The subpena read "Owl Protective Company, Incorporated, Pennsylvania," which is a central office operating company that competes with the Defendants.

Q. Very well, sir, we will discuss that company. What is the address of the Owl Protective Company in Philadelphia?

A. 120 North Camac Street, Philadelphia, Pennsylvania.

Q. What is the nature of the business conducted by the Owl Protective Company?

A. We install, service, maintain central office burglar, holdup, watchmen, water flow, supervisory control and all other types of fire alarm systems.

Q. When was this company established, Mr. Goldstone?

A. 1930—wait. I am in the middle of it—1934 it was incorporated in the State of Pennsylvania on June 28th, 1935.

Q. Sir, how long have you been employed by this company?

A. Approximately twelve years.

Q. Give us the approximate date you commenced your employment.

[fol. 3898] A. October, 1949—about ten years.

Q. Speaking only of your Owl Protective Company in

Philadelphia, what has been the nature of your duties with that company since 1949?

A. I have been the chief executive officer of the company.

Q. When did your Owl Protective Company of Philadelphia enter the central station protection business?

A. Sometime in 1935 we developed a series of accounts approximating ten or eleven in number and then we stopped by the City of Philadelphia because we didn't have necessary franchises.

We received our franchise after a considerable procedure in or about 1937.

Q. Did you have a central station established or physically in operation prior to 1937?

A. Yes, we did. We maintained the eleven accounts—approximately eleven accounts—for a two-year period with very little income coming in because of the necessary litigation to obtain this required franchise.

Q. From whom did your company receive its franchise back in 1937?

A. City of Philadelphia.

* * * * * * *

[fol. 3899] By Mr. Story:

Q. Very briefly tell me what steps your company took in an effort to get this franchise.

A. We made application to the City Council. Much delay.

Mr. Conkling: Off the record.

(Discussion off the record.)

Mr. Story: Back on the record.

By Mr. Story:

Q. Just to sum it up, to took you two years. In other words, very briefly without going into too much detail tell us what steps your company took in an effort to get this franchise.

A. After about two years of delay we were awarded a

franchise.

[fol. 3900] Q. And that is a franchise which is issued from the City Council in Philadelphia?

A. That's right.

Q. At the present time, sir, will you tell me the types of central station protection service that your company engages in?

A. Burglar alarm, holdup alarm, watchmen supervisory systems, sprinkler water flow detection systems, manual fire alarm systems, automatic fire alarm systems, valve supervisory systems, and other various industrial control alarm systems.

Q. Now, sir, could you tell me the dates that your company received the approval of the insurance organizations having jurisdiction over the various types of central station protection service?

A. Underwriter Laboratories Burglar Protection Department approved us 29th January, 1936; the U. L. Burglar Protection Department has supervision and control in relation only to burglar alarm systems.

The Factory Mutual Organization approved us 12th December, 1961.

This organization has influence over the fire alarm and watchmen supervisory systems.

Page 11

The Middle Department of the City of Philadelphia ap-
[fol. 3901] proved us 29th October, 1957. They also have supervisory control of the fire, sprinkler and watchmen's systems.

Q. Does your company have any other approvals?

A. We are FIA approved—Factory Insurance Agents—I am not sure what the "FIA" means. The date of that I don't have.

We also have security approvals by various department Defense Bureaus.

Q. Now, sir, does your company, the Owl Protective Company engage in any other types of protection service other than central station protection service?

A. No.

Some of our systems will be auxiliarized systems. I believe we have one or two auxiliarized systems whereas an alarm is received at our office and it will be similarly received at a remote point, perhaps the Fire Department. This is usually done in suburban areas, not—it is very infrequent.

Q. Does the Owl Protective Company engage in the installation and servicing or proprietary alarm systems?

A. No.

Page 12

By Mr. Conkling:

Q. Did you say "No," sir?

[fol. 3902] A. That is what I said.

By Mr. Story:

Q. Does your company, the Owl Protective Company, engage in any remote station or direct connected alarm services?

A. Yes.

Well, let's make sure we are using the same terminology. "Direct connected" would be a subscriber connected from his premises directly to ours.

Q. No.

I mean direct connected or remote station, the type of

a system which is described in the "National Board of Fire and Underwriters pamphlet 71 or 72," which means that the alarm system is connected from a subscriber's premises directly to a Police or Fire Department.

A. Very infrequently. There might be one or two.

Q. Are these types of services which I have just mentioned, namely, the proprietary, auxiliary, remote station and local alarms conducted by another company in which you are an officer?

Page 13

A. The company has been—the Owl Protective Company has been subpenaed, no other company has been.

Q. Do you object at this time to giving us information about any types of business which is conducted by any [fol. 3903] company other than your Owl Protective Company?

The Witness: Off the record.

Mr. Story: Off the record.

(Discussion off the record.)

Mr. Story: On the record.

A. I have no objection.

I don't think that is on the record.

I have no objection to giving any information about any of the other companies.

Mr. Conkling: To answer your question, though, of course we will have the right to examine.

The Witness: My time is your time.

Mr. Conkling: All right.

By Mr. Story:

Q. Going back, Mr. Goldstone, it is my understanding that the Owl Protective Company engages only in central station protection service.

A. That is correct.

Q. You mentioned that you also had a connection with

Page 14

a General Burglar Alarm Company here in Philadelphia?

A. That is correct.

Q. What types of alarm service is conducted by that company?

A. Local burglar alarm systems, proprietary alarm systems.

[fol. 3904] Q. Does that company, the General Burglar Alarm Company, engage in direct connected or remote station alarm systems?

A. Yes. In remote areas where central office lines cannot be used because of technical reasons—voltage and current requirements—we will connect into local Police Departments or Guard Stations of a major industry that has a group of plants located within one area.

We will also connect into answering services in remote areas so that should a burglar alarm be activated a signal will be remotely received and some response be made.

Q. Generally, sir, in what area does your General Burglar Alarm Company conduct this type of protection service?

A. Within a hundred miles, approximately, of Philadelphia, mostly west and south.

Q. Speaking, sir, strictly as to the types of alarm services

that the General Burglar Alarm engages in here in Philadelphia, are there any other companies in Philadelphia engaged in a similar type of service?

A. Yes. Minneapolis-Honeywell, Bell Burglar Alarms—and that would be it.

Q. Mr. Goldstone, have you prepared at my request the statement of the volume of your central station protective [fol. 3905] business for the past five years or for the five years through 1961?

A. One, two, three, four, five, six—six years through 1960.

I just want to make an explanation on the form. There are two explanations.

Q. Would you give them for the record?

A. Yes. Under the number of burglar alarm systems we had to estimate the number in years indicated on the sheet. They are close approximations of the number of central office alarms we had.

Under "SS" and "WF"—supervisory service and water flow service—we didn't give a breakdown of the type of service we provided, whether it was supervisory or water flow, we just combined the two of them, as we did with night watch and fire alarm.

Page 16

Q. Sir, did you include under your burglar alarm listing also holdup alarms?

A. Yes, we did.

Q. Does your company render any industrial process supervisory service?

A. That would have been combined under "SS" and "WF."

Mr. Story: Miss Reporter, would you mark this [fol. 3906] Government Exhibit No. 1. (The document above-referred to was marked Government's Exhibit No. 1 for identification.)

A. (Continuing). The other point I have on that explanation is that installation charges for each year were not included.

By Mr. Story:

Q. Over in the revenue column of Government Exhibit 1, that is strictly your annual service charge.

A. Service charges, yes, the installation charges are separate.

Q. I notice that on your central station burglar alarms you have got "EST" on this exhibit.

A. That means "Estimate."

Q. How accurately is that figure compiled, sir?

A. With recent years, 1961 and '59, it is reasonably accurate. Going back it is approximate estimations of what our normal

Page 17

growth has been since 1955.

Q. Sir, is there any way possible for your company to obtain the exact number of your subscribers or contracts for the period that you have listed on this exhibit?

A. No, we don't have a—at that time we didn't have a

breakdown of the individual accounts for each year. We now do have this information on IBM record but we didn't date it back into past years. It has only been since the [fol. 3907] beginning of this year we have it.

Q. My understanding is that for the years 1959 and '60 the information is——

A. (Interposing). Quite accurate.

That is for the volume of alarms. Gross revenue is a hundred per cent accurate. The number of alarms is estimated.

Q. Sir, would you also prepare for us a statement for the year 1961 similar to what you have in this exhibit?

A. Yes, I could.

* * * * * * *

[fol. 3908] Q. Mr. Goldstone, do you have any central station protection competitors in Philadelphia?

A. We have.

Q. Would you name them for us, please?

A. ADT Holmes Electric Protection.

Q. Excuse me, sir. That is the American District Telegraph Company?

A. It is. Holmes Electric Protection, Automatic Fire Alarm, Robinson Electronic Protection, Sentinel Alarms.

Q. Sir, how many central stations does the American District Telegraph Company have in Philadelphia?

A. Do you consider Camden in the Philadelphia operating area?

Q. Let's just talk about the City Limits of Philadelphia.

A. In the City of Philadelphia ADT has one office.

Q. You mentioned, sir, that ADT has another station in Camden, New Jersey.

[fol. 3909] A. They do.

Q. How far is Camden from the center of the City of Philadelphia?

A. Approximately two to three miles. We consider it one operating area.

Q. In other words, your company does service accounts over in New Jersey in the Camden area?

A. Yes, we do.

Q. The Holmes Electronic Protection Company, how many central stations does that company have here in Philadelphia?

A. They have two in Philadelphia.

Q. Do you know the approximate locations?

A. One is on Samson Street and Eleventh and the other is on Rising Sun Avenue, in that area I believe. I think it is Fifth and Rising Sun.

Q. How many central stations are operated by the Automatic Fire Alarm Company?

A. One.

Q. And the Robinson Protection Company and the Sentinel Protection Company?

A. One. Each have one.

Page 24

Q. Mr. Goldstone, for what period of time does your [fol. 3910] control station protection service contracts run?

Page 25

A. On burglar alarm systems, three years; on fire alarm systems, five years.

Page 26

Q. From whom does your company purchase its devices and equipment which it uses in a central station operation?

A. Imperial Products Company, New York, New York; Central Station Signals, New York; Walter Cady, New York; Mosler Research Products, Connecticut; Pottery Manufacturing, St. Louis; Ademco, New York; Rego Wire, New Jersey and many others.

Q. Sir, does your Owl Protection Company here in Philadelphia manufacture or assemble any devices or equipment which it uses in its central station operation?

A. Yes, it does.

Q. What items?

A. Those items that are custom made for any particular installation.

Page 27

This is primarily the case in burglar alarm systems.

Q. In that regard the equipment that is assembled or

manufactured by your Owl Protection Company in Philadelphia, do you sell any of that equipment to the trade, [fol. 3911] or is that for your own use?

A. That is for our own use.

* * * * * * *

Q. Now, sir, would you tell us the number of your central [fol. 3912] station burglar alarm subscribers which have been issued underwriting laboratory certificates?

A. For what years?

Q. For your last year, sir.

A. In 1961 Owl had five hundred and sixty-five certificates.

Q. What about the year before?

A. In 1960 Owl had five hundred and thirty-eight certificates.

Q. Do you have it for the previous year, sir?

A. In 1959 we had five hundred and twenty-five certificates.

Q. Do you have any other years?

A. Yes. 1955 we had four hundred and ninety-four certificates; in 1956 we had five hundred and fifteen certificates; in 1957 we had five hundred and thirty-five; and in 1958 we had five hundred and thirty-nine.

Q. Now, sir, could you tell me the number of central station fire alarm accounts that your company has which have been

approved by the fire insurance organization have jurisdiction?

A. Thirteen.

Q. And that is out of a total of how many that you have at the present time?

A. All of the firm alarm accounts are approved with the exception of one, I'm sorry. There are twelve approved and we have a total of thirteen.

[fol. 3913] Q. How do you know that the twelve accounts you have mentioned have been approved by the insurance organizations?

A. The procedure is to notify the various organizations

when they have completed the alarm and they make their inspection shortly thereafter.

Actually, we don't get involved with the insurance question. If they hadn't been approved, we would then hear about it.

Q. In other words, have there been occasions when your fire alarm systems have been inspected and some deficiencies were noted?

A. Yes.

Q. What is your company required to do when deficiencies have been called to your attention?

A. Make necessary adjustments and repair immediately.

Page 33

Q. After the repair or adjustments, do you notify anyone?

A. Yes. We notify the varying organizations. The same thing is done on a monthly basis. Any time we have trouble with one of these alarms or an inspection proves faulty operation, we will notify them of the condition and also have the repair made.

Q. Mr. Goldstone, to what distance from your central station is your company able to furnish central station protection service?

[fol. 3914] A. There are technical limitations but service can be provided as far out as seventy and eighty miles. It is unlikely that it is ever given that far. Usually it is within a ten to fifteen mile radius. probably a half a dozen alarms will be further than that.

Q. Mr. Goldstone, does the City of Philadelphia allow any fire alarms or burglar alarms to be connected to the Fire Department or the Police Department? I am speaking within the City Limits?

A. We have direct telephone connection between our office and the Fire Department and Police Department.

For the Fire Department we also have a retransmission device.

Page 34

To the best of my knowledge the City does not receive burglar alarm signals directly into Police Department Headquarters. The Fire Department recently has per-

mitted certain groups of industry to directly connect into Fire Headquarters such as nursing homes, which there was just recent inquiries made by our company to the City Council.

Q. Do you know at the present time how many fire alarm accounts are actually tied into your Fire Department or Police Department?

A. Of my own knowledge, no. The understanding is [fol. 3915] with the Fire Department that there are very few.

Q. And what types of subscribers are connected to the Fire Department at the present time, to your knowledge?

A. The nursing homes have the permission to be connected directly to the Fire Department.

It is my understanding that there is one lumber yard connected, also.

* * * * * * *

[fol. 3916] Q. Mr. Goldstone, does your company have a price list or a price formula which the company uses in arriving at your installation charges and your annual service charges?

A. I stated before that the cost of installation and service charges are depending upon the cost of equipment, non-depreciable or non-salvagable equipment plus the estimated cost of our labor, plus profits when possible.

The service charges are based on estimated number of calls required during the period of a year plus the telephone line

Page 39

charge, plus our profit.

Q. But sir, your company does have some kind of a formula, does it not, or estimating guide which you use in arriving at these prices?

A. It is strictly an estimate, matter of how long a particular type of device will take to be mounted and whether or not that device is chargeable as unsalvagable.

Each individual job is engineered per cost and there is no written price list.

[fol. 3917] Page 41

Q. Mr. Goldstone, if one of your central station con-

tracts is terminated, does your company remove the alarm system from the subscriber's premises?

A. Usually we will try to remove the salvagable instrument and/or Bell housing. The rest of the equipment we usually would leave.

Electronic equipment we would remove also—all of the

Page 42

expensive salvagable equipment.

Page 45

By Mr. Story:

Q. Sir, in the last five years have you had any of your central station protection subscribers which asked your company to discontinue central station protection service and ask any of your companies to install a local burglar alarm system?

Page 46

A. Yes.

Q. In the last five years how many such instances would you have?

A. You would find about two or three a year.

Q. Do you know the circumstances under which these subscribers have gone from a central station protection system back to a local alarm system?

[fol. 3918] A. Only for economics. That is the only reason they have given.

Q. They have given those reasons to your company?

A. Yes.

Q. What do you mean by "Economics"?

A. The cost of a local alarm system is less than a central office system on a monthly basis and they may feel that a bell ringing on the outside of the premises is adequate protection.

Q. In the last five years have any of your local alarm subscribers from any of your companies asked you to discontinue local alarm service and to install central station protection service?

A. Yes. Two to three dozen a year. You will find two or three a month that will be converted from local to central office.

Page 47

Q. Would you tell us in the last five years approximately how many of your local alarm subscribers have discontinued that service and asked your company to provide central station protection service?

A. About a hundred and fifty.

Q. Are you including in that figure, sir, the local alarm service which was provided by other companies as well as your own?

A. Yes.

Q. From your own local alarm company, approximately how many would you have converted in the last five years? [fol. 3919] A. Of the hundred and fifty, all but maybe two or three were our own. The other local alarm companies in Philadelphia gave them to or recommended them to Holmes.

I think it was a mutual agreement between Holmes and these other companies that recommendations for locals Holmes gave to the local, our local competitors, and in turn these companies would recommend Holmes for the central office burglar alarm.

Mr. Conkling: I move to strike all after the word "Think" in that answer. Would you confine yourself to answering the question, Mr. Goldstone.

Page 48

The Witness: Would you repeat the question?

Mr. Story: Would you read the question, please.

(The Reporter read the last question.)

A. All but about five of the hundred and fifty.

By Mr. Story:

Q. You mentioned something, sir, about an agreement between the Holmes Company and one of your competitors in the local alarm business. What company was that?

A. Bell Burglar Alarm Company primarily. Any of their locals that were lost for the purpose of connecting to a central office did go to the Holmes Company.

Q. Did you know anything of your own knowledge about [fols. 3920-3921] any agreement between the two companies?

A. Just hearsay.

Q. Sir, since your company has been in the central station protection business and particularly in the last five years, have any of your central station protection subscribers asked you to discontinue central station service and then ask you to install a direct connected or remote station type of protection system

A. No.

Q. Within the last five years have any of your central station protection subscribers asked you to discontinue central

Page 49

station service and then ask you to install auxiliary alarm service, fire alarm service?

A. No.

Q. What was your answer, sir?

A. No. There might be one, but I am not sure.

Q. What company do you have in mind, sir? Do you have anybody in mind particularly?

A. For an auxiliary alarm?

Q. Yes.

A. To disconnect a central office?

Q. And install an auxiliary fire alarm system?

A. No, I have no information on that.

* * * * * * *

[fol. 3922] Q. I thought I asked you a short while ago to describe Robinson tactics as you understood them, and which you had experience with in Philadelphia.

[fol. 3923] A. Well, the Robinson tactics you referred to, at least I understood them to be the business tactics of selling the installations and services at what I consider far below cost, and ridiculous prices.

Page 115

Q. Mr. Goldstone, referring to Government Exhibit 2—you have a copy before you—and looking at the 1962 figures, of the night watch and fire alarm service revenue, $690 you show there?

A. Yes.

Q. Is that certificated business?

A. No.

Q. How about the next item, the burglar alarm revenue, $330,665?

A. Some of that is certificated, about half in 1961—in 1962 I

Page 116

don't have the number of certificates.

Q. Well, refer me then, if you will, to the burglar alarm revenue $361,000.

A. We have 565 certificates.

Q. Certificates of the 940 which are shown there?

A. Yes. Now remember what I stated before, that there is 940 subscribers but there might be more alarms.

Q. And therefore there might be more certificates?

A. In other words, it might not be 50 percent—it is not [fol. 3924] 50 percent of the number of alarms, but it is 50 percent of the number of subscribers. You see, each subscriber may have two or three various alarms at the same premises.

Q. And you might seek a certificate as to each?

A. Yes, you might have a safe cabinet, he might have a perimeter, and he might want it on each instrument. He might have a warehouse and an office and each would constitute a separate alarm.

Q. So at the most, I take it of the 940 burglar alarm subscribers in 1961, 50 percent hold certificates?

A. That is at the most.

Q. Is it reasonably accurate to say that that percentage holds true in each of the years which are shown on Government Exhibit 2?

Page 117

A. Well, in 1960, we had 538 certificates; in 1959 we had 529 certificates; in 1958, we had 539 certificates; in 1957 we had 535 certificates; in 1956 we had 515 certificates; and in 1955 we had 494 certificates, so quite obviously the percentages couldn't be the same for each year.

Q. Well then, perhaps you can tell me this: Has the percentage of certificated burglar alarm business increased or decreased over the period 1955 through 1962?

A. Using the figures I have given you as reference I

[fol. 3925] would have to say both the volume and the percentage has increased.

Q. Now, how about your AFA and SS and WF subscribers for 1962, are they certificated?

A. I believe all but one is certificated. Well, when you say "certificated," the certificates are not issued. There is an approval by the rating organizations that say they are approved. They actually make an inspection, but we have requested inspections on all but one, I believe.

Q. Why has a certificate or approval not been requested on one?

A. The subscriber only has a portion of his building protected

Page 118

and that is on an automatic fire alarm type system. And he specified the distances he wanted the thermostats and the type of equipment he wants, and it would be substandard.

Q. Now, in addition to the subscribers and revenue which you show, sir, on Government Exhibit 2 for identification, you have other subscribers and additional revenue, do you not in each of the years that are indicated there?

A. We have no other subscribers that I know of, unless you are making reference to terminology, something different in terminology?

Q. No, I am making reference to other types of service than central station service.

A. No, we have all of the accounts listed there are central office——

[fol. 3926] Q. Yes, I say you do render other types of services than central office?

A. You mean in the city of Philadelphia?

Q. Yes.

A. Yes, we do. With another company.

Q. In Philadelphia?

A. In Philadelphia.

Q. Which is that company?

Page 119

A. General Burglar Alarm Company.

Q. Does the Owl Protective Company, Inc. in Philadelphia render any guard or watch service?

A. It has one watchman service account.
Q. What is the revenue involved in that account?
A. $690.
Q. That is the first item shown in 1962.
A. Yes.
Q. On Government Exhibit 2?
A. Yes.
Q. How many local burglar alarm subscribers does your company have or did your company have in 1962 in Philadelphia and I refer to your affiliated company?

. . . . . .

[fol. 3927] Q. Thank you. Do you have that on a sheet before you?
A. I do.
Q. May I have it, please?

(Handed to counsel.)

A. I would like to make one explanation of these figures: In the year 1960, it shows that we have 1913 local burglar alarm accounts, and that in the year 1959, we had 1561 local burglar alarm accounts. The jump in the number [fol. 3928] of accounts was due to the purchase of two small local alarm companies, and the revenue indicated for $183,775 did not represent a full year's income from those purchases; it was slightly off because we purchased the companies a little bit after the beginning of the year.

Mr. Conkling: I will have this paper showing——

Page 121

The Witness: Let me make a further statement.
Mr. Conkling: All right.
The Witness: The format that we used in this presentation is entitled "Central station subscribers and revenue." The format is identical with that used by the Government in asking us to compile the figures. You will notice, however, that next to BA, on the left side, we have written the word "local" and we did this to emphasize that there were no central office accounts but strictly local burglar alarm accounts.
Mr. Conkling: Now, the paper the witness hands me is

dated 2-16-63, the company designated is General Burglar Alarm Co. Inc., the same Philadelphia address as the address of the Owl Protective Company, Inc. which I shall mark Defendants' Exhibit A for identification.

(Document marked Defendants' Exhibit A for identification.)

Q. Mr. Goldstone, with reference to these accounts shown on Defendants' Exhibit A for identification, how [fol. 3929] many in percentages, approximately, for each of the indicated years represent certificated service?

A. In 1962, there were 281 certificates; in 1961, 256 certificates; in 1960, 287 certificates; in 1959, 252 certificates; in 1958, 260 certificates; in 1957, 254 certificates; in 1956, 250 certificates and in 1955, 258 certificates.

* * * * * * *

[fol. 3930] Q. All right, will you tell me what you have and let's get them marked so we can go on?

A. I have a sheet entitled "New Jersey business, 1962," which lists the revenues and number of accounts that each of the companies did in the year 1962. This was for Owl, New York, central office New York, and Owl, Philadelphia. This is information that both you and Mr. Story tried to develop earlier. I believe I had given the figures of the money that had been involved, but I didn't know the number of accounts

Page 124

and I said I would get explicit information, and I have done this (handing).

[fol. 3931] Mr. Conkling: This sheet that Mr. Goldstone hands me entitled "New Jersey business, 1962" I shall mark Defendants' Exhibit C for identification.

(Document entitled "New Jersey business, 1962," marked Defendants' Exhibit C for identification.)

Q. Is there something you wish to say about Defendants' Exhibit C for identification?

A. Yes, where it says "central office," this refers to the New York Central Office Alarm Company, Inc.

Q. Mr. Goldstone, does Defendants' Exhibit B for identification, which is the number of Underwriters Laboratory certificates issued, comprehend or include the New Jersey accounts shown on Defendants' Exhibit C for identification?

A. Yes, it does.

Q. So that the 1962 New Jersey business, as shown on "C" and the number of subscribers, is——

A. Is included.

Q. —included in the certification account represented by Exhibit B for identification?

A. Yes. It is also included in the total number of subscribers

Page 125

under Exhibit No. 2 for the Government, and Exhibit No. 2—well, which exhibit is this, General Burglar Alarm?

Q. "A" for identification—under Exhibit A.

[fol. 3932] (Discussion off the record.)

Q. Mr. Goldstone, did your Philadelphia companies over the same periods shown by Government Exhibit 2 for identification, render any remote alarm services or auxiliary area?

A. That is the Owl Protective?

Q. Yes, or——

A. No, they don't.

Q. How about General Burglar Alarm Company?

A. Yes, they do.

Q. Do you have some figures on that for me?

A. Yes. Well, we will include proprietary in this thing, too.

Q. Well, if you will give me the number of subscribers and revenues for those years in any of the other forms of service that your company has provided.

A. I don't think the revenue is involved, but I do have the subscribers.

Q. Well, give me what you have, give me the subscribers.

Page 126

A. I have one, two, three, four proprietary alarms.

Q. These are alarm systems that you sold or serviced or what?

A. These are central office alarms, whereas the alarm is connected not to our office but to an office of the subscriber, where he maintains guards. These we call proprietary alarm systems.

[fol. 3933] Q. Did you sell those systems at the time in question or did you——

A. Well, one, two, three—three of the four were sold within when we continue to service them. One of them was not sold. We supplied the equipment. They paid for the labor and we service them.

Q. Can you tell me approximately how much revenue you derive from those sales and services?

A. About $27,000 annually. To continue the question you asked about auxiliary systems, we have two auxiliary systems. These are systems that are connected to the—fire alarm systems connected directly to a fire house.

Now, I did say that Owl didn't have any of these. I was wrong. Owl has both of these. These are Owl accounts.

Page 127

Q. The two auxiliary?

A. The two auxiliaries, that are fire alarms going into Owl and also a fire headquarters. The revenue on these, I don't know, but I would estimate that aggregately it is under $2,000 annually.

Q. All right, now what else have you had?

A. Now we have some burglar alarms that are connected just into police departments or telephone answering services, and that probably is about 50 to 100 of those generally.

Q. And approximately how much revenue?

[fol. 3934] A. Probably about under $10,000.

Q. A year?

A. Yes, sir.

Page 129

Q. Now, incidentally, referring back to Government Exhibit 2 for identification, do the figures there set forth include the revenue derived from installation charges?

A. No, they do not.

Q. Well, in other words, looking at the 1962 revenue for—on that exhibit for burglar alarm service, we see the

number $330,665. That number represents then the service charges collected in that year for those accounts?

Page 130

A. That is right.

Q. Then comparing the number of burglar alarm accounts, as reflected by that Exhibit 2 for identification, in 1961 with 1962, we see that there were 940 subscribers in the earlier year, and 958 in the later year. Does that indicate 18 new subscribers for that service in that year?

A. It does.

Q. For which there would have been installation charges made and collected?

A. There would have been a lot more installation charges than just 18.

[fol. 3935] Q. I am talking about in that particular type of service, burglar alarm.

A. Yes, in that particular type of service. There still would have been more than 18 because you lost accounts during the course of the year. In other words, we might have lost a hundred, but replaced 118, but the effect would be we had 18 more accounts than the previous year.

Q. Can you tell me what revenue your company did derive from installations of all kinds in 1962? Actually, I would like you to give me that number for

Page 131

each of the years mentioned on that exhibit.

A. I don't have it.

Q. Well, is there some way you can estimate, with reasonable certainty, by way of a proportion based on your experience and having in mind these revenues over the years set forth, does an installation charge as a rule represent some known proportion of your service charges?

A. No.

Q. Can you estimate for me what your revenue installations were in 1962?

A. Just on the central office alarms?

Q. Yes, that is what I am referring——

A. I wouldn't be able to do that.

Q. Can you tell me from all your accounts what your installation charges were for 1962?

[fol. 3936] A. I can give you an estimate between Philadelphia and New York combined, for Owl of Philadelphia and General of Philadelphia, combined. I would estimate somewhat in excess of $150,000 or $160,000.

Q. Of installation charges for the two Pennsylvania companies for 1962?

A. Right.

Q. Does that figure represent some increase

Page 132

in collected installation charges over the year before and so on back to 1955?

A. I don't understand the question.

Q. Well, would you say that you probably collected about a hundred or in excess of $150,000 in installation charges—both companies—for 1961?

A. 1962.

Q. Would it be the same in 1961 as in 1962?

A. Close to it.

Q. And so I would ask you that with each of the years mentioned on Government Exhibit 2,——

A. In 1958 or 1959, prior to 1958 or 1959, the total installations were somewheres around fifty or sixty thousand dollars.

Q. And that would then go back to 1955 likewise?

A. Less, yes. In 1962 we actually put in Philadelphia [fol. 3937] 317 installations.

Q. Of all types?

A. Of all types. 117 of them were central office.

Q. That was in 1962?

A. Yes.

Q. And you estimate that the installation revenue, if I may call it that, was something in excess of

Page 133

$150,000 in that range?

A. Yes.

Q. I am sorry, did you say you actually put in 118 central office installations?

A. 117.

Q. Central office installations?

A. Right.

Q. In Philadelphia, in 1962?

A. Right.

Q. Now, looking at the number of subscribers shown in 1961 and 1962, the two columns to the right bottom of Government Exhibit 2 for identification, there is reflected an increase of 18 burglar alarms plus two in sprinkler supervisory, making a total of 20?

A. No, that would be including—the figures I am giving you are including the burglar and fire alarm. I didn't differentiate in this. We lost 99 accounts, if that is what you are referring to. We lost 99 and we gained 117. That would [fol. 3938] make a net difference of the 18. Let me just verify this. (Pause.)

We gained 133 central office accounts, and we lost—we actually installed 136 central office accounts in 1962, and we lost 118. The net effect

Page 134

was that we had a saving of 118 accounts.

Q. A gain?

A. A net gain.

Q. A net gain of 18 accounts?

A. Now, the totals that I gave you before of 371 would be wrong. It will be 254 plus 136. It would be 390 new accounts that we put in, both General and Owl, in 1962.

Page 136

Q. Have you any idea, sir, how long it took your company back in or about 1935 or 1936 to obtain the approval of the Underwriters' Laboratories?

A. I gave you the dates during the——

Q. No, I have a note that you obtained the approval of Underwriters' Laboratories on January 29, 1936, is that correct?

A. Yes. Well, I don't know if that is what—the date I gave, that is correct.

Q. My question now is when had your company, if you know—I realize you weren't there at the time, but perhaps you know when you sought that approval.

[fol. 3939] A. Let me see if I have that information. We sought the approval on January 29, 1936, and we were approved ten days thereafter.

Page 137

Q. In your direct testimony, you mentioned in addition to other approvals that certain security approvals were obtained concerning various defense department areas?

A. Right.

Q. How long did it take you to obtain such approvals, if you know?

A. Two or three months. Those were obtained subsequent to 1956.

Q. Now you do have, do you not, several direct connected subscribers or customers for direct connected services?

A. We have, what is it, 900 some-odd of them. Direct connected are those that come directly to our office. 958 of them.

Q. Do you render service to some installations which are connected to a police department or fire department?

A. Yes.

Q. And these you describe how, what is the name of that kind of account?

A. Those are remote connected. We have two fire alarms that are auxiliary—when I say fire alarm, I refer to them as auxiliary; we have two of

Page 138

those, and the burglar alarm we have between 1500 and [fol. 3940] they might be connected to the police department or the telephone answering service.

* * * * * * *

Q. I see you are looking for some Pennsylvania forms. Can you tell me whether the forms are substantially the same as used by the Pennsylvania companies as those which I have referred to in your New York transcript?

A. They are not the same. In New York we list all serv- [fol. 3941] ices that the companies render under Paragraph 1. In Philadelphia, we have separate contracts for burglar alarm and related fire alarms.

Q. Well, other than that, are the contract provisions essentially the same?

A. Yes.

Q. As to the retention of titles, for example, or the terms of service?

A. I would say almost identical.

Q. You produced this morning a paper which shows your New Jersey business in 1962.

A. Yes.

Q. And the bottom line refers to Pennsylvania revenue.

A. Right.

Q. It is Defendants' Exhibit C for identification. Are those services—are the services represented by that revenue rendered from your office in

Page 140

Philadelphia?

A. Yes.

Q. What is the distance, to the best of your knowledge, from your office in Philadelphia to the furthest account mentioned in this Defendants' Exhibit C for identfication?

A. In New Jersey?

[fol. 3942] Q. Yes, sir.

A. I believe the furthest direct wire was Trenton, but that must be about 40 miles, but the greatest percentage, more than 95 percent of the accounts are 20 miles or 25 miles or less. Most of them probably within five miles.

* * * * * * *

Q. Well, tell me this, having in mind the years mentioned in Government Exhibit 2 for identfication, 1955 through 1962, could you by taking a moment give me the [fols. 3943-3945] number of new installations in Pennsylvania in the earliest year there shown, 1955, and then the middle year, by 1958?

A. Yes.

(Witness makes computations.)

A. Would the middle year be 1958, 1959?

Q. I think 1959. Take 1959.

A. Instead of 1955, can we take 1956?

Q. Yes.

A. Because I don't have the 1955 figure. (Pause.) In 1956, we aggregately installed 339 accounts, and we lost 320 accounts for a net increase of 19.

In 1959, we aggregately increased—well, we aggregately gained, not increased, 222 accounts and lost 134 for a net gain of 88.

Page 142

Q. Are these accounts of all types?
A. Yes.

* * * * * * *

[fols. 3946-3948] Q. Have the devices which you and your company and Pennsylvania companies have needed in order to do the business you are attempting to do the been readily available on the market over the last ten years?
A. Not all of it.
Q. That which you don't manufacture for your own use, the custom-made equipment?

Page 145

A. That is right.
Q. Is otherwise not readily available?
A. Some of it might be readily available, but all of the equipment we want is not available.

* * * * * * *

[fol. 3949] Q. Is there any difference, any substantial difference, between the quality of device and equipment that your companies use with reference to its central station services and those which it uses with reference to its local burglar alarm systems?
A. As to the quality of the components, there is no substantial difference, but as to the type of components and the function of each system, there is a great difference.

Page 163

Q. Have you ever heard of a Bell Burglar Alarm Company in Philadelphia?
[fol. 3950] A. Yes.
Q. Do you know the principal or the owner of that company?
A. Yes.
Q. What is his name?

A. Morton Baser.

Q. Has he been active in the business in Philadelphia over the last ten years?

A. Yes, he has.

Q. Has he recently commenced to offer central station system service?

A. I understand he has.

Q. Did he ever seek to connect up any local alarm accounts to your central station?

A. Not to my knowledge. I would be inclined to let him do it though.

Q. Why is that?

A. It is additional revenue.

Q. Any other reason?

Page 164

A. What other reasons do you have except an additional revenue?

Q. Well, is that a helpful way of allowing someone who wants to get into the central station business to make an entry into the field?

A. I have no qualms about letting anybody into the central station business.

Q. I wasn't suggesting you did. I was asking whether [fol. 3951] that was an easy way to do it.

A. Is it an easy way for him to do it?

Q. Yes.

A. I would say it would be a way for him to do it, I don't know if it is an easy way. My simple statement was that I would be inclined to let him connect into our office to give us additional income. I am not concerned with what he does more than I am with what we do; if somebody is going into a business you can't keep them out.

Q. No, I think you are right. I had in mind however, without wanting to get into the New York area that you had testified concerning New York, and I will get back to it later, but just on this one point, that at one time your New York operations in some respect connected into central station signals

Page 165

here in New York?

A. Right.

Q. And then subsequently when you had your own central station you took those customers with you, isn't that correct?

A. Well, we took them with us. They were under contract to Central Station Signals, and Central Station Signals we asked Central Station if they would release their customers from the contract as they came due or before the contract expired, or when the contract came due, and [fols. 3952-3954] original Central Station wasn't too inclined to do it, but then as we began to purchase equipment from them, fire alarm equipment created a relationship, they agreed to do this. But it was good revenue for us connecting into Central Station Signals because we were able to complete with ADT and with Holmes by connecting our local alarms into Central Station.

It gave us more income on our local alarms and it also gave them income for the supervision of those local alarms.

Page 168

Q. Is it your experience, Mr. Goldstone, over the last ten years that competition in Philadelphia has been increasing?

A. Very definitely, although when you say competition increasing, my feeling would be that increased competition provides increased volume, because you have more people out pounding the streets making people conscious of the need for alarm systems, and we are sure to get our percentage of that business just from normal activity, so I would say the more people you have the more business there is.

* * * * * * *

[fol. 3955] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 331

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of HAROLD W. GRAY, American Burglar Alarm Co. (Pacific Fire Extinguisher Co.), 142 Ninth Street, San Francisco, California.

* * * * * * *

[fol. 3956] Examination by Mr. Fritz.

Mr. Fritz:

Q. Be good enough to state your full name and home address, Mr. Gray.

A. It is Harold Ward Gray, Jr. I live at 3719 Page Street, Redwood City, California.

Q. And what is your occupation, Mr. Gray?

A. I am manager of the Pacific Fire Extinguisher Company.

Page 3

Q. And where is the place of business of that company?

A. The main office is at 142 Ninth Street, San Francisco.

Q. Does it have offices elsewhere?

A. Yes. We have a central station at 165 Jessie Street [fol. 3957] here in San Francisco, and we have another office in Los Angeles, at 2923 East 11th Street, Los Angeles.

Q. Is that latter, in Los Angeles, a central station or not?

A. No; it is just an office for selling extinguishers.

Q. I see. How long has the Pacific—is it Pacific Fire Extinguisher Company?

A. Yes.

Q. How long has that company been in business, approximately?

A. Since 1894, it says on the letterhead.

Q. Yes. How long have you been with the company?

A. A little over eight years.

Q. Eight years?

A. Yes.

Q. And I take it that your place of work is here at the headquarters of the company in San Francisco.

A. That is correct.

Q. Is it at the Jessie Street address?

A. No; Ninth Street, 142 Ninth Street.

Q. 142 Ninth Street.

When you came into the business eight years ago, were

there other companies here in San Francisco engaged in what is known as the rendition of protective service of various kinds?

A. Yes.

[fol. 3958] Q. What were some of the companies that you know of that were then in existence?

A. ADT—did you specify the type of service?

Q. Well, any kind: burglary, fire, indirectly connected, proprietary, auxiliary.

A. Pacific Auxiliary Fire.

Q. Does Gamewell do any business here?

A. Well, specifically in the City, I couldn't——

Q. Well, suppose we skip——

A. I mean, this should be clarified—I mean, you would have to clarify as to whether it was to be connected to the City or whether it was just a local alarm system.

Q. I will develop that a little bit later.

A. All right.

Q. Anyway, ADT was in business when you came here?

A. Yes.

Q. And I gather you know it was in business for many years prior to that time here in San Francisco.

A. Yes.

Q. Now, what in general is the nature of the business carried on by Pacific Fire Extinguisher Company?

A. Well, it is the service and sales of fire extinguishers

Page 5

and allied fire protection equipment; additionally, the sale of security and fire protection equipment, and the lease [fol. 3959] and service of security and fire protection systems.

I believe this covers it pretty well.

Q. Now, by the lease of fire and security systems, I take it you are talking essentially about protective service against the loss of property, essentially burglary protective service. Is that correct?

A. Yes.

Q. That, I understand—if I am wrong, you correct me—is carried on by a particular division of Pacific Fire Extinguisher Corporation, is that right, under a different name?

A. Well, now, you mentioned just burglary.

Q. Yes.

A. There is a named division, but it is not differentiated as such; I mean, it is——

Q. Well, what is the named division?

A. American Burglar Alarm Division.

Q. Yes. Well, the business of Pacific Fire Extinguisher Company is essentially, then, the sale, as I understand it, of various types of fire protective systems?

A. Well, yes, sale and lease.

Q. Sale and lease.

A. Yes. It is a very complex arrangement. I couldn't say which was the larger quantity.

Page 6

Q. Well, will you describe for me what kind of fire protective service systems the Pacific Fire Extinguisher [fol. 3960] Company sells outside of fire extinguishers as such.

A. Well, there are fire detection systems which are automatic fire alarm, manual, water flow, and sprinkler supervisory systems, burglary systems, process control.

And then, of course, if you go into the actual protection

field, where you have the extinguishment, this would be automatic CO-two systems.

Q. Automatic CO-two systems?

A. Yes.

Q. That is carbon dioxide?

A. Yes, carbon dioxide systems.

Q. What are they, foam systems?

A. No, carbon dioxide.

Q. That is a different thing?

A. Yes, it is.

We also have automatic foam systems too.

Q. Let's see if I have this generally.

First, you have fire detection systems of a variety of types.

A. Yes.

Q. Manual, water flow, sprinkler supervisory.

A. Right.

Q. Are there any local fire alarm systems supplied and serviced by your company?

A. Yes.

[fol. 3961] Q. And then does that encompass the entire field of

the fire protection systems?

A. I would say that it does, yes.

Q. Then burglary, does that encompass or include both central station and local systems?

A. Yes, it does.

Q. Then in addition to that you have process control. And by that, as I understand it, it is a signal detection system which more or less watches things like excessive rise in temperature, excessive rise in or dropping of water level.

A. Right.

Q. Various types of industrial processes, to guard those processes in industrial plants. Is that right?

A. That is correct, yes.

Q. And then you mentioned a further—I imagine subdivision, and probably part of your fire detection system, namely your CO-two and foam systems. Is that right?

A. It is not a further subdivision, actually. I mean the whole thing is all amalgamated into oneness now.

Q. Yes.

A. We do furnish or sell automatic CO-two and automatic foam systems.

Q. But they are essentially directed towards the prevention and extinguishment of fire?

[fol. 3962] A. That is correct, yes.

Q. More the extinguishment than the prevention, I take it?

A. Right, yes.

Page 8

Q. Now, would you be good enough to describe just briefly—I don't want to burden you too much—the nature of the manual fire protective system that you referred to.

A. Well, there are many locations, or there are locations, I should say, wherein a manual alarm system can be activated by an individual actually physically operating a piece of equipment to alert the fire department or to alert the occupants of a building.

Q. What is the usual type of premises where that is employed, or does it cover a variety of types?

A. Well, it would be a wide variety of premises.

Well, there is some buildings where they would be connected to the fire department that might be multistory office buildings, or they might be hospitals.

Q. Schools? Dont let me throw you off the line. If I am wrong, you just tell me.

A. Yes, this could be, yes.

As a single entity, I mean a straight manual fire alarm system, I can't think of a particular school that would have this. This is usually incorporated with the automatic fire alarm.

Q. But would it in general encompass commercial build-

[fol. 3963] ings, office buildings, industrial plants?

A. Yes, primarily.

Q. Is there any of it in what we might refer to as retail stores, such as jewelry stores?

Page 9

A. Oh, yes.

Q. Retail fur stores, clothing stores, things of that sort?
A. Yes, this could be included in it.
Q. I mean, and is in your service, is that right?
A. Yes, uh-huh.
Q. Now, how does that function? Is there a connection between the subscribers premises and a central station, or is there a connection between that apparatus on the subscribers premises and some fire alarm system that goes directly to the municipal fire department?
A. There are both mediums.
Q. Both.
A. Both mediums, yes.
Q. And are both of those systems that we have just mentioned in effect here in the City of San Francisco?
A. Yes, they are.
Q. Now, is either one of those types known as an auxiliary fire service?
A. Yes.
Q. And the one that is so known is the one that is connected from the subscribers premises into the munici-
[fol. 3964] pal fire alarm system, and then to the fire department of the municipality. Is that correct?
A. That is correct, yes.
Q. And your company furnishes that type of service. Is that correct?
A. Yes.

Page 10

Q. Now, I take it that part of the equipment which your company furnishes for that type of service is confined to the actuating devices on the subscriber's premises, and it connects to the master box or the fire box of the municipal fire alarm system. Is that correct?
A. That is correct, yes.
Q. Do you know approximately how many subscribers you have in San Francisco in the outlying areas to that type of service?

Mr. Finch: Go ahead.
Mr. Fritz: I am not asking for the names. I don't ever intend to.

A. About 350.

Q. And does that relate to the geographical area that I referred to in my question, San Francisco and the outlying areas?

A. Well, what do you mean by "outlying"? How far do you want to go?

Q. Well, as far as you go.

A. Yes.

[fol. 3965] Q. How far do you go?

A. We go as far south as a line—I mean, around San Luis Obispo to Bakersfield, north to Chico, and Reno, Nevada.

Mr. Story: Excuse me. Off the record.

(Off-the-record discussion.)

Mr. Fritz:

Q. Well, now, Mr. Story has asked you off-the-record whether or not this number of customers which you

Page 11

gave consists wholly of subscribers to auxiliary fire protective service, and your answer has been that in part it includes remote station control or direct connected service. Is that correct?

A. That is right, yes.

Q. My question to you is: Approximately what percentage of that total is represented by subscribers to auxiliary fire protective service?

Mr. Finch: Go ahead.

A. 80% auxiliary.

Mr. Fritz:

Q. What is the distance involved in that description that you gave us of the area of your service, taking San Francisco as the central point? How far south and how far north—I guess not very far west—but how far the other way?

A. Well, south it would mean approximately Bakersfield. I think it is around 300 miles.

[fol. 3966] And Chico would be 200 and—let's see—around 200 miles north.

And Reno, Nevada, would be 240 east, about that.

Q. Approximately. That is all right.

A. Yes.

Q. Now, are there other companies or organizations in this area—and by that I mean San Francisco and perhaps the area that you have described—which are engaged in the rendition of auxiliary fire protective service and remote

Page 12

station or direct connected service?

A. Oh, yes.

Q. What are some of those companies, if you know?

A. Well, ADT, for example, is one. Notifier is another. Gamewell is another. Autocall is another. Pacific Auxiliary.

Well, there is a peculiar thing here in that some of the Notifier people are franchised—I mean not franchised, but they are Notifier dealers, but have another entity as a name, wherein they do not always use the Notifier equipment. But basically they would be Notifier licensees, I would presume.

Q. And there are a number of those, are there?

A. Oh, yes, there is a wide number of those.

Q. When you say "a wide number," would you have in [fol. 3967] mind a number like 50?

A. I have no idea of the quantity.

Q. Yes.

A. It has been too flexible. I don't know them all. And there is—they keep changing so much, it is hard to tell.

Q. Now, the number of such subscribers that you gave me was what? 300, about, of auxiliary fire and direct?

A. About 325. 300 is all right.

Page 14

Mr. Fritz:

Q. Under what circumstances is it, Mr. Gray, where you install and service actuating devices on a subscriber's premises for auxiliary fire protective service that are not of the Reichel type?

A. Where we are quoting on a job that maybe has been

written around a specification where it states "and/or equal" basis is one condition, or where the demand by the individual company is for a particular type of application or piece of equipment that they are cognizant of and want it for a particular application.

Q. Is this a rather common and frequent occurrence, where you install and maintain the devices on subscriber's premises other than the Reichel device?

A. Oh, yes, uh-huh.

[fol. 3968] Q. And are those actuating devices—they are manufactured, of course, by other makers of that type of device?

A. Right.

Q. Are they well-known manufacturers in that field?

A. Very well-known in the field.

Q. Who are they?

A. Spot Fire Locator.

Q. That is L-o-c-a-t-o-r, isn't it?

A. Yes. And the Walter Kidde, K-i-d-d-e.

Page 15

Q. K-i-d-d-e.

A. Well, there are many other names in that field. There is a fire detector put out by Fyrindex. That is F-y-r-i-n-d-e-x, I think.

And, well, all of the products that is manufactured by Walter Kidde Company, which are several in nature.

The Central Station Signals Manufacturing Company.

Q. Of New York?

A. Of New York.

The Potter Electrical and Manufacturing Company of St. Louis.

Gamewell Equipment Company of Newton Falls, Massachusetts.

Q. Newton Falls?

A. Upper Newton Falls, yes.

[fol. 3969] Q. Yes. Edwards Company?

A. We have installed Edwards, yes, Edwards equipment. We have installed Autocall.

Q. And I take it there may be a few others?

A. There may be a few others, yes.

Firelite is another one.

Page 16

Q. It was approximately the same?

Page 17

A. Approximately the same, yes.

Q. Yes. Now, another type of fire protective service that you mentioned was sprinkler supervisory and water flow service, and they can be taken together pretty much for discussion purposes, can't they?

A. Yes.

Q. Essentially what is that, as it is furnished by your company?

A. It varies quite widely. We have a central station wherein we receive signals from water flow alarm, from manual alarm, and from valve supervisory devices at a central point, a central office; and then, in addition to that, we have remote station services of approximately the same type, although generally not including the valve supervisory signals.

Q. Or water flow?

A. No, we have the water flow, and you can get water [fol. 3970] flow on the manual alarm, but not the valve supervisory.

Q. Not the valve supervisory.

Now, by valve supervisory you mean supervision that detects the malfunctioning or the tampering with valves in a water system designed to provide——

A. Not malfunction. Malfunction would be a breakdown in the valve.

Actually, it is a tamper switch on the valve to indicate it is opening and closing.

Page 18

Q. To indicate it is opening and closing.

A. Yes.

Q. Well, if by some malfunction it happened to open or close when it shouldn't, I suppose that would be spotted, wouldn't it?

A. Yes, that's right.

Q. That is what I had in mind by malfunction.

A. I see, right.

Q. Now, you said that that type of service is——as I under-

stood you—is divided from three subdivisions, central station, manual—no I am wrong.

Strike that question out.

You mentioned in that connection manual and bell supervisory.

Am I correct in assuming in those two types there is [fol. 3971] nevertheless a signal transmitted from the subscriber's premises to a central station, in connection with manual and bell supervisory?

A. Bell supervisory?

Q. You said there was bell supervisory——

A. Valve.

Q. Oh, valve. I misunderstood you. I thought you said "bell."

A. It is valve supervisory.

Q. I see. Well, then this sprinkler supervisory water flow service is entirely a central station operation. Is that correct?

Page 19

A. Not always, no.

Q. No.

A. No.

Q. Is there some of a local variety?

A. Well, I guess you would have it with proprietary type systems.

Q. Is that the exception that you had in your mind when you said "not always"?

A. Generally speaking, yes.

Q. I see. Well, then except for proprietary systems on a subscriber's premises, the service which you render is of a central station variety. Is that correct? Of the water flow and sprinkler supervisory service?

A. If you say the entire context, water flow, alarm and valve supervisory, this is central station service, yes.

[fol. 3972] Q. Yes. Now, then, there are proprietary systems that you mentioned. Right?

A. Yes.

Q. And I take it from your mention of that that your company installs, and perhaps maintains—I don't know—proprietary systems. Is that right?

A. Yes, that is true.

Q. What are proprietary systems?

A. A proprietary system is a self-contained alarm and supervisory system within the premises or confines of a given plant wherein personnel are constantly on duty to respond to these various signals and react in the manner in accordance with standards

Page 20

as set forth by the National Board of Fire Underwriters.

Q. It is a sort of a local central station system on a given premises, isn't it?

A. That is generally correct, yes.

Q. Does your company furnish and service many of those installations?

A. Not many. We have some of these, yes.

Q. Approximately how many would you say?

A. Oh, maybe twenty.

Q. Now, approximately how many customers does your company have of that type of service known as sprinkler [fol. 3973] supervisory and water flow and valve alarm service that you have mentioned?

Mr. Finch: Go ahead.

A. About 50.

Mr. Fritz:

Q. That is in total?

A. Yes.

Q. And is that in the City of San Francisco and environs?

A. Yes.

Q. And how does that number compare with what it has been, say, over the past five years?

A. Oh, this is a slight increase.

Q. And revenuewise on an annual basis, what is the approximate figure?

A. I do not have that figure. I do not know.

Q. What is your best estimate?

Page 21

Mr. Finch: If you know.

A. I would estimate somewhere around 20,000 a year.

Mr. Fritz:

Q. Yes. And has that figure that you have just given me as your best estimate—would that apply to prior years, say going back four or five years?

A. Relative to my previous answer, there would be a slight increase in that.

[fol. 3974] Q. In respect to the customers, it would be about the same?

A. Yes.

Q. A slight increase?

A. Yes.

Q. As of the present time?

A. Yes.

Q. Now in connection with fire detection or fire protective systems, I think originally we made mention of local systems as distinguished from central station.

Are there such systems which are provided by your company?

A. Yes.

Q. And in what type of establishments is such service rendered by your company?

A. Well, it would be—under the rest home law there were some furnished as local.

Q. If I may interrupt you there: By "rest home law," you are referring, I take it, to the legislation in this State which requires that fire protective systems be installed in nursing homes, rest homes——

A. Yes.

Q. (Continuing)—schools, hospitals, apartments,

Page 23

A. Yes.

Q. How long have you rendered that kind of service, approximately?

A. Well, this law, I think, was about 1957.

[fol. 3975] Mr. Finch: That is right.

A. I think it was around '57 the law went into effect.

Mr. Fritz:

Q. What is the nature of the installation and the service in that type of protective service?

A. Basically, it amounted to a complete automatic fire alarm system with interior warning devices of bells and horns, including manual fire alarm, and that is just about it.

Q. Well, so far as any silent alarm or connection with any central station is concerned, there is none of that in this type of service. Is that correct?

A. Oh, there are in certain circumstances, because each individual area or fire district or fire department or city government could ask for anything in excess of this law that they wished to.

Q. Yes.

A. And in some cities they did require that it was connected to the fire department or to a central station or something of this nature.

Q. How about the service which you render, your company renders, is that central station or is it local or is it both?

A. It is both.

Q. Which is in the majority, would you say?

[fol. 3976] Page 24

A. The majority would be the local, I presume.

Q. The local?

A. Yes.

Q. And by "local," you mean an alarm sounding either by way of gong or horn on the premises affected. Is that correct?

A. That is correct, yes.

Q. Approximately how many customers of that type do you have?

A. I would say maybe 30.

Q. Are there other companies or organizations in San Francisco and the neighboring communities which also provide that same type of service?

A. Oh, yes.

Q. And are they some of the companies which you have previously mentioned?

A. That is correct, yes, all of them, I think.

Q. All of them?

A. Just about all of them would be included in that.

Q. And has this number of customers you just men-

tioned been substantially the same since this law was enacted back in 1957?

A. Yes.

[fol. 3977] Q. Now, have I fairly well covered—I don't want to ask you to be a judge of what I have been doing, but I simply want to ask you whether I have treated with the various types of fire protection service which your company furnishes.

Page 25

A. Yes.

Q. I haven't omitted anything of substance, I take it?

A. As far as I can remember, yes, you have covered it.

Q. Now, your burglary protective service, I think you told me, consists of two types, central station and local. Is that right?

A. Yes.

Q. Before I get into that, I want to ask you this further question:

With respect to fire protective service of the various types that you have mentioned, are they all approved by the Pacific Rating Bureau?

A. Well, no. A local system cannot be approved.

Q. Well, by "local system" you mean the service that is provided under this 1957 law, is that your——

A. Yes.

Q. Well, leaving that out, are all of the other services approved by the Pacific Rating Bureau?

[fol. 3978] A. Yes.

Q. And your company's facilities, and your central station, and what-not, are approved by that bureau, I take it?

A. That is correct, yes.

Q. And do all of the subscribers to the various types of services that you have mentioned receive, or are they entitled to receive, discounts from the normal insurance premiums?

A. Yes.

Page 26

Q. And to the same degree? I mean, are they equally treated for that purpose?

A. No. The schedule is a peculiar thing. You can't take a remote station system in a rural area and get the same credit that you could get for that same system in a higher grade protection district.

Q. That is because of the distance involved?

A. Well, they have a schedule wherein the National Board, grading of cities are from 1 to 10, and classes 1 to 5 you get the maximum credit, 6 and 7 you get another credit, 8 there is another credit, and 9 and 10 is another. And this would vary considerably.

Q. Does this vary in part or is the variation based in part upon the general municipalities for the prevention [fol. 3979] and extinguishment of fire? Does that enter into the rating?

A. Yes, this would be a National Board rating.

Q. Yes. But I understand from what you say that the central station fire protective service is entitled to insurance premium credits.

A. Yes.

Q. Direct connected is likewise entitled to that, to a credit.

A. To a credit, yes.

Q. That is the way I am putting it, to a credit.

A. Yes, surely.

Q. An auxiliary fire protective service is likewise entitled

Page 27

to a credit. Is that correct?

A. That is correct, yes.

Q. And the only exception from this credit granting are the local systems provided under this California 1957 law?

A. Uh-huh (affirmative).

Q. All right.

Now, the burglary protective service which your company furnishes—and I take it it is done through that division known as the American Burglar Alarm Company—is that correct?

A. That is right, yes.

Q. (Continuing)—consists of two kinds, central station [fol. 3980] and local.

A. Yes.

Q. In the larger subdivisions. Is that correct?

A. Yes, right.

Q. By "central station" I assume you mean a type of burglary protective service where a—I will withdraw that. Suppose you tell me.

What does central station protective service consist of?

A. It is well defined in the Underwriters Manual.

Q. Yes. But as furnished by your company—and I suppose it accords with that—but just briefly, I want it for the record.

A. Central station, wherein leased wires are——

Q. Of the telegraph company?

Page 28

A. Of the telephone company, directly connect the central receiving office with the protected premises, and the opening and closing signals are recorded; and in the event of an irregular opening, why, guards and the police department are dispatched. This is a control point.

Q. Now, the central station operation, of course, is handled by a force employed by your company. Right?

A. That is correct, yes.

[fol. 3981] The actuating devices which are installed on a subscriber's premises are installed by your company. Is that right?

A. Generally speaking, yes. Not always.

Q. Well, what is the exception? What are the facts about the exception?

A. Well, we have some systems wherein they have installed their own security system, and we merely make a connection to a pair of leased wires and bring it back to our central office.

Q. And service it.

A. And service it, yes.

Q. That would be a case in which the subscriber provides his own actuating devices on his own premises?

A. Right.

Q. Is there a large amount of that, or is it small in quantity?

A. Oh, a relatively small quantity of this.

Q. Now, then, the other type of burglary protective service

Page 29

which your company furnishes is known as local. Right?

A. Local, yes.

Q. Would you describe that briefly.

A. Local burglary alarm system consists of the protection devices within the premises connected to a bell [fol. 3982] mounted on the building, and that being the only signal, and that being sent in the event of an opening.

Q. And there being no connection whatever with the premises on any outside receiving source of any signal?

A. That is right, no outside connection whatsoever.

Q. Now, as between those two types of services, which bulk is the larger in your company, I mean of which do you have the larger number of customers, central station or the local?

A. Local.

Q. And approximately how many local burglary protective service subscribers do you have?

Mr. Finch: Don't testify to these things unless you know.

A. O.K. About 700.

Mr. Fritz:

Q. And how does that figure compare with the number you have had, let's say over the last five years?

A. It is approximately the same.

Q. And the number of your central station burglary protective service subscribers?

A. Approximately 400.

Page 30

Q. 400. And has that too similarly remained relatively static over the period?

[fol. 3983] A. Yes, it has remained fairly static.

Q. Now, revenuewise, can you break that down on an approximate basis for me? In other words, what approximately is the annual revenue from your local and from your central station protective service?

A. Is this percentagewise or dollarwise?

Q. Well, I prefer it dollarwise, just to keep it in accord with what we have done so far.

Mr. Finch: If you don't know, why, give him a percentage.

A. I am just guessing. I think it would be about 25% local.

Mr. Fritz:

Q. 25% of what?
A. Of around $200,000.00.
Q. And central station?
A. Well, $50,000.00 would be the local, and about 150 would be the——
Q. Central station?
A. Central station.
Q. How long has your company been in the business of furnishing local burglary protective service?
A. Well, the American Burglar Alarm Company was purchased by Pacific Fire in 1947.
[fol. 3984] Q. Yes.
A. So at that point we went into the business.
Q. I see. And are you presently furnishing local

Page 31

burglar alarm service to some of the subscribers which came into your company through the American Burglar Alarm Company in 1946?
A. Yes—1947.
Q. 1947.
A. Yes.
Q. And I take it you have gained some in the interim?
A. Oh, yes, we have probably gained some, yes.
Q. Now, those are revenue figures that you gave me. Do they too, in your estimate and judgment, remain fairly constant over the past five or six years?
A. Yes, they have remained fairly constant. There has been a slight increase, I would presume.
Q. Now, industrial process controls—I think we have touched on that very briefly—does that form a substantial or an unsubstantial part of your company's business?
A. Unsubstantial.
Q. Approximately how many customers do you have of that type of service?

[fol. 3985] A. Oh, boy! I couldn't even make an honest guess at it. I may just specifically say the customer might have one thing—I know that he has everything else—it might be that they have put something else on there that I would not know about it.

Q. Would it be in the hundreds, would you say?

A. Oh, no, no.

Q. No?

Page 32

A. It is less than 25, probably.

Q. I see. And is that a central station operation?

A. Yes.

Q. Now with regard to your fire extinguishment systems, your CO-two and your foam systems, are they matters of outright sale?

A. Yes, uh-huh.

Q. Outside of the protective services that you render, does your company also engage in the manufacture and sale or the sale alone of various types of protective devices relating both to fire and burglary?

A. Yes, to fire.

Q. To fire.

A. Uh-huh (affirmative).

Q. What are some of the types of systems which are subject to outright sale as distinguished from components [fol. 3986] of a protective system that you maintain?

A. All of our systems can be purchased; all have been purchased.

Q. Have been purchased?

A. Yes, at one time or another, all types of equipment.

Q. And it is a part of your regular business to make outright sales as well as to install and maintain those systems?

A. That is right, yes.

Q. I take it that those systems when sold go to persons who might otherwise be, if they wanted to be, subscribers of your protective service systems? In other words, they

Page 33

would be potential subscribers, if they happened to want service, rather than the outright purchase of a device?

A. Well, I am confused here.
Q. Are you confused?
A. Yes.

Mr. Fritz: Strike it out. Everybody is confused except me, and I guess I am too.

Q. The people who buy outright from you are buying protective systems which have as their ultimate object the same object as the protective systems which you install and maintain. Right?
[fol. 3987] A. That would be correct.
Q. And so is it true in a real sense that those people might very well be, if they hadn't bought your systems outright, subscribers to service?
A. That could be, yes.
Q. So that the sales represent an area of protective service, do they not?
A. Yes, I would say they do, surely.
Q. What, in general, or in approximation, do the sales of such fire protective systems of your company represent on an annual basis?
A. It fluctuates greatly.
Q. Well, suppose you give me the limits as you see it from thus-and-so to approximately thus-and-so.
A. Well, if we were to include a big year, such as you

had when you had a lot of rest homes, why, this could mean quite a substantial amount, I think. It could run anywhere from 20,000 to $75,000.00.
Q. Well, you mean that over a period of years it has ranged approximately from 20,000 to 75,000?
A. During that period which I have been with the company.
Q. During those eight years.
A. Yes.
[fol. 3988] Q. And is the lower figure in the earlier years?
A. Not necessarily. As I mentioned before, the big year, of course, was when they had the requirement for these rest home fire alarms.
Q. In 1957?

A. Yes.

Q. So that the amount jumped in that year. Is that right?

A. Yes, of course.

Q. And probably reached—did it reach its maximum in that year?

A. That would have been the maximum, yes.

Q. And has it continued at about that same level since?

A. Oh, no. It returned back down again because the field was used.

Q. Because the number of rest homes and others which were required to have that protection system, complied with the law and bought their systems, and that was that.

A. That is right; because they had to comply with it.

Q. So except for that peak rise in 1957, and whatever time it took to comply with the law, your company then reverted to a lesser annual revenue from sales, amounting

to somewhere in the twenty thousands, do you think?

A. I would imagine, yes.

[fol. 3989] Q. And that amounts to its total sales everywhere, is that correct—I mean, that includes its total sales of this type?

A. I would say so, yes.

Q. Now, I assume that in connection with some phases of your business that you have described to me, you function under a written contract. Is that right?

A. Uh-huh (affirmative).

* * * * * * *

[fol. 3990] Q. Approximately how many such contracts are there, Mr. Gray?

A. There are basically three forms.

Q. I see. In connection with the protective service, which you render, as distinguished from the outright sales, not having the contracts here, I would like to ask you this question:

Do they provide for the retention of title by your company of the equipment and devices which are installed on the subscriber's premises?

A. Yes, under the lease contracts, yes.

Q. That is what I mean.

A. Yes.

Q. And does your company have any usual term or duration of contract for service?

A. Yes.

Q. What is it?

A. Five years.

[fols. 3991-3992] Q. What is your company's usual practice upon the termination of the contract with respect to the removal of equipment from the subscriber's premises?

A. Oh, this is an evaluation on the part of ourselves as to the cost involved in necessitating removal of the

equipment.

Q. I take it what you are saying is that in the event you find a certain installation or part thereof which is economically not recoverable, then you don't remove that.

A. That is correct, yes.

Q. But the part that is salvageable, so to speak, you do remove. Right?

A. That is right. When it is feasibly economic to remove it, we store it in our shop. If it doesn't come up to a new price, then we would remove that.

Mr. Fritz: Would anybody like to take a five-minute break?

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[fol. 3993] Q. With respect to central station burglary protective service, and presumably with respect to local, or some part of it, you furnish a certificate, do you not, to your subscribers?

A. Yes, we do on central station. We have no certificate on local.

Q. I see. Then I gather that all of your local burglar alarm service is of the uncertificated or unapproved type. Is that correct?

A. That is correct.

Q. So your subscribers to your local burglar alarm service are not entitled to receive any discount from their insurance premiums?

A. That is correct, there is no discount involved.

Q. Is that the only type of protective service of which that is true, or is there any other?

A. Would you mind rephrasing that so I can understand it?

[fol. 3994] Q. You have told me that your local burglar alarm service is of the unapproved or uncertificated type.

A. Right.

Q. My question is: Is there any other type of protective service which your company renders which is similarly unapproved or uncertificated?

Page 40

A. Yes; there is unapproved central station burglar alarm.

Q. Is there?

A. Oh, yes.

Q. Is the bulk of your central station burglar alarm approved or unapproved?

A. Unapproved.

Q. Unapproved?

A. Yes.

Q. So that, generally speaking, almost your whole burglar alarm service is of the unapproved type, whether it be central station or local. Is that correct?

A. That is correct, yes.

Q. Now, is there any other type of service—and this would, of course, go into the question of fire protective service—is there any of that that is of an unapproved type?

A. Oh, yes. Your local would be unapproved.

[fol. 3995] Q. That is, all of the fire protective service that you furnish under the 1957 law would be of the unapproved type. Is that right?

A. Yes. I would like to qualify this.

When you mention unapproved, it is unapproved as far as incurring any rate reduction by the Pacific Fire Rating Bureau or any other insurance rating organization, but it would comply with standards as set forth by the National.

Q. I use the word "unapproved" here, or "uncertificated," only in the sense that it doesn't entitle the subscriber to receive any premium discount.

A. That is correct.

Page 41

Q. What you are saying is that your equipment is approved and it meets legal requirements. Right?

A. Right, yes.

Q. Now, with those exceptions, is the rest of your protective service on an approved or a certificated basis?

A. Yes.

Q. Does your company purchase actuating devices or other equipment from other sources?

A. Oh, yes.

Q. The sources, I take it, are those companies you mentioned.

[fol. 3996] A. Yes.

Q. Potter?

A. Potter.

Q. Notifier?

A. We don't buy from Notifier.

Q. You don't?

A. No.

Q. Do you buy from Ademco in New York?

A. Yes.

Q. Imperial?

A. Not from Imperial.

Q. Walter Kidde?

A. Walter Kidde Company. I mentioned Gamewell, Autocall.

Q. What type of devices do you buy from Gamewell and Autocall?

A. Gamewell, we buy master boxes, console recorders, punch registers, manual alarm stations, and sometimes complete systems incorporating everything, master fire alarm control panels and this sort of thing.

Page 42

Autocall would be the same sort of thing.

Q. Are these devices that you just mentioned used essentially in connection with the auxiliary fire protective [fol. 3997] service?

A. Not necessarily.

Q. They are in part, of course, to some extent?

A. To some extent, yes. They are used in all types of service.

Q. All types of fire protective service?

A. Yes, uh-huh; as long as you refer to Gamewell, yes.

Q. Yes, Gamewell and Autocall.

A. Right.

Q. So far as Potter and the other companies are concerned, they relate essentially, I take it, to burglar alarm, but——

A. No. They involve also fire alarm, or water flow alarm and sprinkler supervisory.

Q. How about Ademco?

A. Ademco is almost purely burglar alarm.

Q. And Walter Kidde?

A. Both fire alarm and burglar alarm.

Q. Not having your forms of contract before me, could I ask whether it is correct to assume that in connection with your fire protective service, and your burglar protective service, that you make a charge to your subscriber which is made up of both installation charges and service charges?

[fol. 3998] Page 43

A. Correct.

Q. Essentially, what is taken into consideration; what elements in the determination of the installation charge?

I am not asking you for amounts now, I am just talking about elements.

A. The labor and materials necessary to place the equipment in position.

Q. But not the cost of the equipment as such?

A. No, not unless it is an outright sale.

Q. And your service charge, of course, I take it, that—well, what does that include by way of elements?

A. Labor and materials necessary to service it I think would probably be the only way I could clarify it.

Q. Have your prices, generally speaking, increased over the last ten years, or in the eight years you have been there?

A. Oh, yes.

Q. Percentagewise, about what would be the rate of increase?

A. It generally follows the National Index, which I believe is somewhere—about four or five per cent it runs.

Q. Four or five percent per year?

[fol. 3999] A. Yes.

Q. Does your central station operation of your company go back to the time of your association with it, that is, eight years ago?

Page 44

A. Yes.

Q. And it had been in existence for some time prior to that, I take it?

A. Yes.

Q. You mentioned that your company had bought the American Burglar Alarm Company, I think you said in 1947.

A. Yes.

Q. Prior to that had the Pacific Fire Extinguisher Company engaged in the furnishing of local burglar alarm service on its own?

A. No.

Q. That was its first advent into this field. Is that correct?

A. Yes, that is correct.

Q. Would I be correct in assuming that the classified directory of the telephone company in connection with burglar and fire alarms for San Francisco and the surrounding areas lists the essential—lists the more important companies engaged in this business?

[fol. 4000] A. Yes, I would believe you are correct.

Q. You are familiar with this section of the classified directory, are you?

A. Yes.

Mr. Fritz: I will ask that these be marked for identification. You have already had one in a prior deposition, but we will mark these additional pages which relate to outlying areas and San Francisco.

(Three sheets from classified telephone directory were marked respectively as Defendants' Exhibits Nos. 5, 6 and 7 for identification.)

Page 45

Mr. Fritz:

Q. Now, you have mentioned, Mr. Gray, that there are

other companies here in San Francisco which in whole or in part also furnish all or some of the various types of protective service which your company furnishes. Is that correct?

A. That is correct.

Q. American District Telegraph Company is one.

A. Right.

Q. What are some of the others?

A. Well, Pacific Auxiliary furnishes automatic fire alarm systems.

[fol. 4001] Q. Is that the only type of protective service that it furnishes?

A. Also manual fire alarm service.

Q. Has that been in business here for many years?

A. Many, many years. Exactly how long, I don't know.

Q. Does it furnish its services, as far as you know, to a substantial number of subscribers?

A. Yes, to quite a large number, I think.

Q. Do you have any idea of the number?

A. No, I really don't.

Q. It is not your business, huh?

A. Well, it is now owned by an Autocall representative here, and I really don't know the quantity involved. It is a peculiar type of operation.

Page 46

Then when you get into burglar alarm, I mean the local variety, there is people like Day & Night——

Q. Argus.

A. Yes, I guess so. I don't know all of the locals, even.

Q. But there are some others, are there?

A. Oh, yes. They keep springing up from time to time, and their names evade me at this moment. I can never remember them. One will be here today and gone tomorrow, and someone else will have it.

[fol. 4002] There are, I presume, quite a number of small ones who just run around changing their names and putting in local alarm systems.

Q. Is there any such thing as the use of telephone answering service here in San Francisco in connection with protective service of any kind?

A. Not to my knowledge.

Q. Now, so far as competition is concerned, do you meet in competition the various companies that you have mentioned here this morning?

A. Yes.

Q. Both in the fire protection field and the burglary protection field?

A. Uh-huh (affirmative).

Q. Is the competition active?

A. Very active.

Q. Has it been that way for some time back?

Page 47

A. Oh, yes, ever since I have been with the company it has been active.

Q. And I take it the companies that furnish all types of service here in San Francisco which you furnish are competitive with you, and that you meet them from time to time in bidding for prospective subscribers. Is that right?

[fol. 4003] A. You mentioned "all companies." That is, there is only one company that would furnish all the services we do.

Q. That is American District Telegraph?

A. Yes.

Q. Now, with respect to all the other types of service, some of which some companies furnish, do you also meet them in bidding?

A. Yes; yes, we do, sir.

Q. And in connection with your experience and bidding for jobs, is it correct to say that you have gained contracts where your competitors have lost them, and vice versa, they have gained contracts where you have lost them?

A. Yes. This is the essence of the business, I presume.

Page 49

Q. All right. How about John B. Logvy, L-o-g-v-y, in March of '54?

A. Yes, I know that one very well.

Q. Were you bidding in competition with ADT on that job?

A. We sure were.

Q. You got the contract?

A. Yes, sir, at our price.

Page 50

Q. San Francisco Protestant Orphanage.
A. Yes.
[fol. 4004] Q. ADT bid on that job?
A. Yes, sir, they did.
Q. March, 1957, Hirsch, H-i-r-s-c-h, & Price.
A. Burglar alarm? No, I know nothing about that.
Q. Burroughs, B-u-r-r-o-u-g-h-s, Wellcome, W-e-l-l-c-o-m-e?
A. Yes. That is a burglar alarm. I know about that.
Q. Did ADT bid on that job?
A. Yes.
Q. You got the contracts that I have mentioned so far that you are familiar with?
A. Yes.

Page 51

Q. Ralph Montali, M-o-n-t-a-l-i, Inc.
A. Yes.
Q. Both?
A. Burglar and sprinkler supervisory.
Q. Burglar and sprinkler supervisory and water flow?
A. Yes.
Q. ADT bid on that?
A. Yes, I am sure they did.
Q. Now, in 1959, Joseph Magnin Company, burglar alarm.
A. Yes. ADT got that. That is an ADT account.

[fol. 4005] Page 52

Q. American Bosch Arma—B-o-s-c-h.
A. Yes.
Q. ADT bid on that job?
A. Yes, sir, they did.
Q. You got the contract?
A. Yes.

Page 53

Q. How about Langendorf United Bakeries, Incorporated?

A. Oh, yes.

Q. You got that contract?

A. Well, it depends on which one. They have about 30——

Q. Well, this is simply marked here "Automatic fire alarm." That is as much as I know.

A. See, there are about 30 or 40 locations, I presume, altogether, and we have some and ADT has some.

Q. Were they all bid for at this time?

A. No, no. They have been bid periodically over the years.

Page 54

Q. Of course, those that I read to you were some of the contracts that you procured in competition with ADT. You have also lost contracts, have you not?

A. That is correct.

Q. And is the same true, perhaps to a lesser degree, [fol. 4006] with respect to the other companies here in the area who furnish one type or another of protective service, that you have both gained and lost contracts?

A. That is true, yes.

* * * * * * *

[fol. 4007] A. Oh, yes.

Another one is the Central Station Electric Protective Association.

Q. That is a national organization too?

A. That is a national organization.

Q. And that includes, I take it, only those who are engaged in furnishing central station service? Or am I wrong in that?

A. Yes.

Q. The first part of my question is correct?

A. Yes.

Q. It doesn't include anybody except central station outfits?

A. Not as prime members. I believe there is a——

Q. Associate——

A. Associate membership, yes. I know there is. There is an associate membership for manufacturers.

* * * * * * *

[fols. 4008-4009] Mr. Story:

Q. Mr. Gray, does the City of San Francisco allow burglar alarm systems to be connected to the Police Departments

in the City?

A. No, no direct connections, to my knowledge, other than maybe some banks. I dont—I think they do allow some banks to do this, as far as I know.

Q. Would the City of San Francisco allow you to connect any of your burglar alarms to the Police Departments?

A. No, they have refused.

• • • • • • •

[fol. 4010] Q. Mr. Gray, I think you mentioned that your company manufactures a system called the Reichel Auto-
[fol. 4011] matic Fire Alarm System.

A. That is correct, yes.

Q. Are those devices generally available to the trade?

A. We have sold them on occasion; we have sold them to ADT.

During the past six years we have been going through a program of redesign, because manufacturers of the original design increased prices to such an extent, and we felt modernization was necessary.

We have just recently acquired the Underwriters Laboratories approval of the entire system, and it is our intention to sell this equipment to other areas of the United States.

Q. Have you purchased any protection devices from the American District Telegraph Company?

A. No.

Q. Have you attempted to purchase devices from the American District Telegraph Company?

A. On several occasions we have investigated this but found that we could not procure them, so we—I know myself, personally, I investigated one time and was told that I could not procure them.

Q. And in what manner did you investigate this availability of equipment?

A. I was called in at Parks Air Force Base about six

[fol. 4012] Page 63

years ago, and the system installed at that time on the base was an ADT system. They were looking for a company to service and maintain the components on an annual contract basis.

And after making a survey of the premises, and finding out what actuating devices were there, I then inquired at the local level here, through their office here, about the availability of the components that would be needed in order to maintain the system, and I was told that they were not available.

Q. Did you bid on this account, service account, for the Air Force Base?

A. As I remember it now, I had given a general verbal figure as to what I felt it would be for estimating purposes, and then withdrew because we would be unable to acquire the components necessary to maintain it.

Q. Mr. Gray, you mentioned that the duration of your contract was five years. Does the duration of your contract for both burglary and fire, are they both 5-year contracts?

A. I might qualify this to some degree.

Fire alarm contracts, where we lease the system, the initial installation, we are compelled by the Internal Revenue Service to amortize over a 5-year basis.

[fol. 4013] On burglar alarm, if there is a large quantity of equipment that has to be amortized, that you cannot directly write off, we also set this up on a 5-year basis.

Also, there are some burglar alarm systems that are sold on a 1-year contract basis. A large number

Page 64

of our systems are sold on a 1-year, in the burglar alarm, because it can be a direct write-off on the components used.

Q. Could you give us any percentage of your central station burglar alarm systems which are 1-year contracts?

A. About 99.9%.

Q. Mr. Gray, what is your company's policy concerning allowing subscribers to pay for their installation charges on an installment plan?

A. We frown on this quite heavily, because it means an

investment of money, and actually we feel that they can find financing other places to do this. We generally do not—as a matter of fact, in about 99.9% of the cases, I mean, we do not offer this.

Q. What is the reason for that, sir?

A. Well, it is fairly obvious. We first have an initial investment in the components that we are going to install, and we have incurred an installation charge for the labor and materials to place the equipment in position, which is [fol. 4014] just an offsetting arrangement, and to further incur additional money expenditures by some more or less financing this installation charge over a period of time in[illegible] the use of company capital that reduces that figure th[illegible] you have available.

Q. Do any of your competitors allow the payment of your installation charges—offer an installment plan?

Page 65

A. Yes. Oh, yes, ADT has gone into this quite heavily.

Q. Has your company lost any accounts to ADT because of the offer of the installment plan on installation charges?

A. Yes. I am not quite sure we have. I can't remember—specifically mention or know of any right now by name—but I have heard it said from our salesmen that this has been one of the points or factors. I can't—I saw one of the proposals one time, and I couldn't figure out how they were doing it, so I had no further interest in it.

Q. And your salesmen have reported to you that on occasions they have lost accounts because ADT has allowed an installment plan payment in satisfaction for installation charges?

A. That is correct, yes.

Q. Mr. Gray, let's talk about your burglar alarm systems, your central station burglar alarm systems.

[fol. 4015] Do you retain title to the systems on a subscriber's premises in all instances in your central station burglar alarm business?

A. No.

Q. You do allow some subscribers to purchase the system and have title to the system in their premises. Is that correct?

A. Yes, we do allow this; and we have some that we

have taken where they already owned the system or they put in something of their own.

Page 66

Q. Could you tell us whether or not any of those systems where the property owner retains the title to the equipment, are any of those accounts certificated accounts?

A. I am almost sure that some of them are.

Q. Could you tell us whether or not Underwriters Laboratories refused to certificate a burglar alarm system where the owner of the premises owns the equipment?

A. No, I shouldn't think—to my knowledge, they don't refuse.

Q. What is the situation on your fire alarm accounts, your automatic fire alarm accounts?

A. Relative to——?

Q. Ownership of the protection system within the subscriber's premises.

[fol. 4016] A. Well, there is—in many cases we sell the system outright, and other cases we take over a system that has been installed by someone previously, Gamewell, Argus, and so forth. We arrive at a servicing contract for it.

Many times, to comply with local rating bureau regulations, and make a connection from that system to the fire department, or to our central station, we service and maintain this system under contract in compliance with their regulations for insurance credit.

Q. Well, is it possible for the owner of the premises to have title to the fire alarm system?

Mr. Fritz: Object to the form of the question.

Page 67

Mr. Story: Read it back.

(Last question read.)

Mr. Story:

Q. And still receive insurance credits?

Mr. Fritz: The same objection.

Mr. Story: You may answer.

A. Yes, very definitely.

Q. Approximately what percentage of your central station fire alarm accounts receive insurance rate reduction because of this service?

A. 100% of them.

[fol. 4017] Q. Has the Pacific Fire Rating Bureau published any directives which involve title to the protection service on the protected premises?

A. Yes. They have a surveyor's guide wherein it stipulates how insurance credits are arrived at, the evaluation of alarm systems, and the credits that can be obtained for various types of services; and in there they also qualify what is necessary for the obtaining of these insurance credits and how the warranty is placed on the policy.

And in there it stipulates that it is not necessary to own the system, it can be contracted for by anyone to an authorized servicing agency.

Q. In other words, one company can install the system so long as it meets the standards, and another company can service that system?

A. That is correct, yes.

Page 68

Q. Mr. Gray, I hand you several sheets from the Pacific Fire Rating Bureau, and specifically pages 6 to 14.

Would you look at this document and read us the paragraph wherein the Pacific Fire Rating Bureau will allow the property owner to own the alarm system within his premises.

[fol. 4018] A. Let's see here. On page 6 of the Surveyor's Guide, Engineer's Instructions, under Item D:

> "Automatic Fire Alarm Services, Reporting to Fire Stations:"
>
> Under "General," Item No. 1, paragraph (a), "Restriction of Credits," then subdivision 3, it says:
>
> "The system shall be either leased from an accredited leasing and servicing company or owner shall provide service and maintenance facilities satisfactory to this office or a servicing contract wth an acceptable servicing concern shall be required in which case the following service warranty shall be attached to all policies."
>
> The next paragraph, the heading is "Service Warranty."

In parentheses, "Applying to all buildings and contents protected by automatic fire alarm system."

It starts:

"In consideration of the reduced rate at which this policy is written, it is warranted by the Insured that a contract with the blank company to provide repair and maintenance service of the automatic fire alarm

Page 69

system installed within the described premises shall [fol. 4019] be maintained. A breach of this warranty suspends this insurance during such breach."

That covers it.

Mr. Story: Yes.

Mr. Fritz: Has that been completely identified, so the record is clear as to——

Mr. Story: Well, I was going to have it marked.

Mr. Fritz: Are you going to have it marked?

Mr. Story: Yes, sir, only page 6.

I think that is the only page you read from.

The Witness: Yes, page 6 is the only one I read from. That has the reference to the warranty on the system and the method of contracting for services.

Mr. Fritz: Does the record show by whom this pamphlet is issued?

Mr. Story: Yes, sir.

Mr. Fritz: I say, does the record show that fact?

Mr. Story: I stated it.

The Witness: And I restated it.

It doesn't say on here—it says, "Surveyor's Guide, Engineer's Instructions."

Mr. Fritz: By whom is it issued?

The Witness: It is published by the Pacific Fire Rating Bureau in the publishing section.

[fol. 4020] Mr. Fritz: Are you going to mark that as a government's exhibit?

Mr. Story: Yes, in connection with this deposition.

(Thereupon the document above referred to was marked as Plaintiff's Exhibit A for identification.)

Mr. Story:

Q. Mr. Gray, you mentioned in your direct examination that your company does not at all times remove alarm systems from the subscriber's premises after the termination of a contract.

Why doesn't your company remove the alarm systems?

A. At the time of the termination of the contract the equipment has to be processed if it is removed from the premises through our shop in order to assure us that it is in operating condition to be reinstalled.

Now, there are several things involved with the procuring of this and processing this item. One of them is the labor and materials, the labor necessary, let's say, to remove it from the premises and transport it back to our shop facilities. Then again there is the additional cost of processing it through our shop operation in order [fol. 4021] to put it back on the shelf to be used again on another job.

If, in our estimate, the cost of doing all of these items is approximate or equal to or greater than the cost of new components, it is generally considered to be a waste of time, and so we do not remove it.

Q. Now, that also includes devices which might be on the

premises of one of your subscribers. Is that correct?

A. That is correct, yes.

There is another problem involved in the removal of some of this equipment: to deface, so to speak, the premises, leaving blank spaces. They have to be painted over and plastered up.

If, after consultation with the owner, he decides that he would rather have it just left there, and it is economically feasible to us, why, we generally leave it there.

Q. In those instances where you do remove devices, I think you stated that these devices had to be renewed or rechecked in your shop.

A. That is right, yes.

Q. Does that also involve a testing of the equipment after the work has been done?

A. That is correct. It goes through a complete rechecking

[fol. 4022] and retesting, the same as it would be if it were processed through our shop as new equipment.

Q. So all of these items are, of course, in removing the system, considered by your company when making a decision as to whether or not the system shall be removed?

A. That is correct, yes.

Q. Mr. Gray, in those instances where you do have devices which you consider to be salvageable, do you remove the foil and the wiring which is placed on the property?

A. No.

Page 72

Q. Has your company ever done that?

A. Only at the request of the subscriber would we ever do this, if they might want it.

Q. And in those instances it is just a matter of getting it out of the way?

A. That is right.

Q. Mr. Gray, does the American District Telegraph Company have any direct connected alarm systems in the City of San Francisco, to your knowledge?

* * * * * * *

[fol. 4023] Q. In some instances a local alarm system is connected to a central station so that it can be monitored or supervised. Is that correct?

A. Yes, this can be done.

Q. Does your company engage in any of that type of business?

A. No.

[fol. 4024] Q. Do you know whether or not the American District Telegraph Company engages in local alarm service which is monitored in a central station?

A. I believe they do, yes. To the best of my knowledge —I am pretty sure of one place where they do this. On several accounts, if my information from the subscribers is correct, insofar as their interpretation, this is the method that is used.

* * * * * * *

Q. Has anyone from the Purina Company been in contact [fol. 4025] with your company?

A. Yes.

Mr. Fritz: What company is that?
The Witness: Ralston Purina Company of St. Louis. Yes.

Mr. Story:

Q. When was your first contact with representatives of this company?
A. 1955. I was contacted by the local manager of their Visalia office, Visalia plant, to make a survey for a fire alarm system.
Q. Did you make that survey?
A. We made that survey and transmitted the information, costs, and so forth, to their—a Mr. McCann back in St. Louis.
Q. What was Mr. McCann's position?
A. I believe he is chief of building protection—or I don't know exactly what his title is, but he is in charge of these plant facilites, it seems like, in all areas, as to the security and fire protection of them.
Q. Did you submit a bid on this account?
A. Yes, we submitted a bid.
Q. Did you get the job?
A. Yes, we got the job.
[fol. 4026] Q. Did ADT bid for this job?
A. I—well, this job didn't have an ADT system in it. I believe the other ones did later on. But at the time I talked to Mr. McCann, he called me and he told me that ADT would never have another job in their system,

that they were removing all ADT accounts.
Q. Did he give you any reasons for that, sir?
A. Well, he said that he had had very poor relations with them, and very disappointing results, and requested that we go further into this and survey all of the plants, even those having ADT protection at that time, with the possibility of installing a fire alarm system in them for insurance credit, which is what we followed up from then on.
Q. Did you make those surveys?
A. We made those surveys and quoted the prices.
Q. Well, did you get the accounts?
A. Yes, sir, at our regular installation price, and at our regular rentals.

Q. Did Mr. McCann indicate to you what in particular he was dissatisfied with on ADT's service?

A. Yes. He mentioned that prices had become exorbitant, and their charges; and of course all I can do is interject my own feelings, if he were going to pay that installa-

[fol. 4027] tion charge, and an annual rental, it seemed as if he was amortizing off against whatever increase they had incurred upon him.

Q. As of today, how many Purina accounts does your company have here in San Francisco?

A. Well, there are none in San Francisco proper.

Q. In the area, in the San Francisco area.

A. Well, this encompasses the area we operate in, you mean?

Page 83

Q. Yes.

A. Visalia is one, Stockton is two, Oakland is three. I guess it is three.

Q. As I understand you, in two of these installations ADT was furnishing the service at the time you submitted your proposals?

A. That is correct. In both the Stockton and Oakland installations they were at that time providing the service.

Q. Did ADT remove its alarm systems after your company obtained the contract?

A. I presume they did. I never have physically looked at them to say that they did remove them.

[fol. 4028] Page 86

Mr. Fritz: Yes.

Mr. Story:

Q. Mr. Gray, have you recently bid against the American District Telegraph Company for the protection service of the New Sound Record Company?

A. Yes.

Page 87

Q. When did that take place, sir?

A. I think that was October 19th, wasn't it? Yes.

Q. What type of a protection system was this?

A. It was a burglar alarm installation.

Mr. Fritz: Is this a San Francisco address, by the way?
The Witness: Yes, in San Francisco.

Mr. Story:

Q. Do you recall what price your company bid for the installation and the annual service charge on the New Sound Record Company?

A. I don't remember the price at the time. No, I do not remember the price now. All I remember is, the information I received——

Mr. Fritz: What was the nature of the service? I missed that. I am sorry.
The Witness: Burglar alarm.
Mr. Fritz: Burglar alarm.

Mr. Story:

Q. Tell us what happened in connection with this account, sir.

Mr. Fritz: Central station?
The Witness: Yes.
I received a call from the insurance broker on this account, and he stipulated that the owner had received both bids of ours and of ADT's, and that ADT had come back and cut the price after they eventually had found out what ours was. I don't know how they did it. They came back and found out the price, and they undercut us.

[fol. 4029] Page 88

And the owner became rather disturbed. He didn't think this was good practices, so to speak. And then he wanted to come and talk to us, and see us, so we asked him to come down and look at our demonstration room, and talk about the services that we would provide, and show him what we had.

He came down, and he decided to contract with us for the services.

Mr. Fritz: You have it?
The Witness: Yes, we have it.

Mr. Story:

Q. You got the contract, in spite of the second proposal of the American District Telegraph Company?

A. Yes.

Mr. Fritz: I object to the question.

Mr. Story: You may answer.

A. Yes.

Q. Mr. Gray, have you ever bid on any of the Macy's department store accounts here in San Francisco?

A. Yes, we have attempted to bid on them. We have been told that they are national accounts of ADT. And even though they did take our figures, we were told later that these were national accounts, and they went to ADT.

Q. But you did survey the premises and make an estimate on this?

A. Yes, we have surveyed them.

Oftentimes the general contractor on the job will allow us to bid purely because maybe he thinks that he is doing a

[fol. 4030] Page 89

favor for the owner, and we find that, as it goes up through the chain of command, it finally gets to someone who says, "This is a national account," and we do not bid.

Q. Well, after you submitted this bid, did you follow up to find out what had happened on it?

A. Yes, we have. I have recontacted them, and we are eventually so informed, that this was a national contract, and ADT got the contract.

Q. Mr. Gray, have any of the companies which engage only in local burglar alarm service here in San Francisco referred any central station burglar accounts to your company at any time?

A. Oh, yes. This is quite prevalent. I mean, when it is beyond their realm of operation they will refer them to us, and we have been referred, and very recently.

Q. Does this happen very often, sir?

A. Quite often. It has happened quite often in the recent months.

Mr. Fritz: Could we have some estimate?

The Witness: Well, I know of at least a half a dozen cases in the last three or four months, I would say.

Mr. Story:

Q. And do you know why these accounts are referred to your company?

A. Well, because of the wide difference between the service—I mean, local alarm service and central station service are entirely different—and a person wanting

Page 90

openings and closing in this sort of operation, and the con- [fol. 4031] tact for entry of other peoples in their employ that want to go in, why, they have to be registered, and so forth, and the local alarm just can't provide that.

Q. Now, in the past year have any of your local alarm subscribers changed their form of protection and service to central station protection with your company?

A. This would be negligible. One or two might be the most. It won't change. If they are enlarging their occupancy or change their method of operation or something, they might consider this.

To my knowledge, I can maybe think of one or two.

Q. What about your central station protection service accounts, reverting back to local alarms, with your company?

A. No, this practically never happens unless the business becomes so defunct that he has reduced his occupancy or reduced his place of business, or the business has gone bad or something, that he would then revert to this, when he was way down the ladder, so to speak.

Q. Mr. Gray, you mentioned the fact that your company operates south of San Francisco to a point about Bakersfield, California.

A. Right.

Q. Why doesn't your company operate any further south than Bakersfield?

A. Well, when I first came with the company and was

Page 91

selling, of course they outlined the pre-emptive area that I could work in, and I was told that there was an agreement [fol. 4032] or some sort of an agreement that we had sole rights to operate below San Luis Obispo and over to Bakersfield, and this was the limit of our operation.

Q. Who told you that, sir?

A. I was told by the man who was general vice-president and general manager of the company, Mr. Sam Hardin.

Q. You mentioned "sole rights." Who obtained the rights in connection with your company?

A. Well, after this—I mean, when it was more thoroughly clarified, it seems that Pacific Fire Extinguisher Company at one time had gone down there, I think it was in the '37-38 period, 1937-38 period, and built a central station operation, and ultimately sold it to American District Telegraph Company, and in the contract of sale, or whatever it was, why, there was this agreement that they would never return to that area to sell fire alarm equipment or burglar alarm equipment.

Mr. Story: Would you mark that Plaintiff's Exhibit B in connection with this deposition.

(Eight-page document entitled Purchase Agreement was marked as Plaintiff's Exhibit B for identification.)

Mr. Story:

Q. Mr. Gray, have you ever seen that document before?

A. Yes, I have.

Q. What is that document?

Page 92

A. Well, this is the Purchase Agreement dated May 20, 1938, between the American District Telegraph Company [fol. 4033] and the Pacific Fire Extinguisher Company, referring to the central station or the services they were rendering in the Los Angeles area.

Q. Would you find the place in that agreement which you referred to a moment ago which restricted your company from engaging in protection service south of Bakersfield and south of San Luis Obispo in California.

A. Yes. It is in the 13th item of this.

Q. Would you read it to us, please, sir.

A. It says:

"The 'Seller' shall withdraw from the business of furnishing, installing, maintaining or inspecting protective signaling equipment in the State of California, south of

Bakersfield, California, and south of San Luis Obispo, California, and shall not, subsequently to the sale of the property herein contemplated, again engage in said territory in the business afore-specified. As heretofore stated, this paragraph shall in no way affect the right of 'Seller' to engage in the appliance busines in any part of California, or elsewhere."

Q. Since the date of that contract has your company engaged in any business south of that point?

Page 93

A. Yes. I bid on a job just on the outskirts of San Luis Obispo.

Q. When was that, sir?

A. Oh, let's see, about 1956, I would say, or '57, I bid on—I was bidding on a job. The company was known as General Fireproofing Company.

[fol. 4034] Q. Did you submit a bid on this account?

A. Yes, I did. I surveyed the premises and submitted a bid on the premises.

Q. Were you reminded by anyone that you were violating the provisions of a sales contract at that time?

A. Yes. This is rather peculiar in view of the fact that this building was just on—it seems on the outskirts of town—and the fire department, in view of the fact that it was an industrial plant, had agreed to provide fire protection service to this area. It wasn't over a mile, I don't believe, from the center of town.

And after I had surveyed it, or I was down at San Luis to make the survey, and while I was in the fire department a man approached me and was identified as a representative of ADT, and he told me that I couldn't bid down there, that this was on the outskirts of the City, out of the City of San Luis, and that I was out of my bailiwick, and to get the dickens out of there.

Q. And did he refer you to this contract which is government Exhibit B?

A. Yes.

Page 94

Q. After that time did you consult with an attorney concerning the terms of this contract?

A. We did. I brought it back to the main office and turned it over to Mr. Davis who is the president of our company.

Q. Did you tell Mr. Davis what happened?

A. Yes, I did. I told him again what had happened there. And at that time he made an investigation of the agreement.

[fol. 4035] Q. Did you obtain this account, sir?

A. No, we did not.

Q. Who got the account?

A. ADT.

Page 105

Mr. Story:

Q. Mr. Gray, from a standpoint of complete supervised protection around the clock, could you tell us any advantages, if any, that central station protection service has over local alarm service?

A. In my estimation, there is no comparison.

A local alarm service provides nothing more than a signal at the premises, and it doesn't call upon anybody to take any particular action other than the public surrounding it, and people are prone to stay away from things that are going to get them into trouble, whereas, in central station service, you are handling the signals and receiving them for a specific reason, and that is that you have trained personnel to respond, and you are in a position to notify the police department immediately after an entry on a burglar alarm system.

In sprinkler supervisory, you receive an alarm from the system, and the signal is transmitted to the fire department who takes action at that particular premises. You know it exact location, you know even to the breakdown of what area

Page 106

in the building it is involved in.

And in the event there is a supervisory problem, you dispatch your trouble man to restore the system to normal [fol. 4036] at the most expedient means available.

In my estimation, there is no comparison between the two.

Q. Let me ask you this: In a central station burglar alarm system is it possible for an owner of the premises to leave the premises at night without setting the alarm?

A. He could leave the premises without setting the alarm, but we would know it.

Q. How soon would you know it, sir?

A. We would know it instantaneously because in most all cases—I mean in all cases—we have a notification on record as to his normal opening and closing period.

Now, with an Underwriters Laboratory approved system there is a requirement for a specific opening and closing time.

Now, others that are not certificated, there would be normal times for the man to enter, and he would say to us, or tell us in a letter, "We will open and close during these periods." It may be a variation of 15, 20 minutes, even up to 30 minutes, and whatever that period of time is, this is our period of checking.

Q. Well, what happens on your central station protection systems where the man hasn't set the alarm on closing?

A. We immediately contact—attempt to contact him by

telephone at the premises, and if this is not—we cannot obtain him at the premises, we immediately dispatch a guard to the premises to set the system and put it in its normal operation.

We then notify the subscriber that he has failed to set [fol. 4037] the system and that we have done so for him.

The system is in operation, and this is recorded at our central office through a time-stamping operation.

Q. Now, in your local alarm systems, is it possible for the owner to fail to set the system on closing?

A. Oh, very easily.

Q. Would your company know about it whenever he——

A. No, we would have no notice of it whatsoever.

Q. Now, on your central station burglar alarm system, is it possible for the owner or any employee to re-enter the premises after the closing without your company knowing about it?

A. No, this would be impossible.

Q. What steps does an owner of a protected premises

have to take in order to re-enter the premises during the closed period?

A. He first must call our central office and then identify himself through a code arrangement, and then we make an entry that this is an irregular opening, and whose code has been used, and the man entering the premises; and, in addition to this, it would necessitate that he have the keys

Page 108

also to go into the system, and find out the period of time he is going to be in there, and whether he is going to leave the alarm set while he is inside, or whether he is going to turn it off completely.

Q. During the closed period, whenever an employee leaves the premises, does he have to go through the normal closing procedure again?

[fol. 4038] A. That is correct, yes.

Q. Now, in your local alarm systems, is it possible for the owner or employees to re-enter the premises without your company knowing about it?

A. Actually, they can enter at any time they want to.

Q. Mr. Gray, could you tell us what your average local alarm monthly service charge would be as compared to your monthly central station protection service monthly charge would be?

A. Percentage or dollars or what?

Q. Approximately dollars, if you don't mind giving that.

A. Our average local alarm would be around $9.00 a month; and our average central station would be about $32.00.

Q. Now, on your central station automatic fire alarm systems, does that system operate only during the closed periods of business?

A. Central station automatic fire alarm?

Q. Yes.

A. No, that operates at all times, that is, 24 hours a

Page 109

day and 365 days a year this is in operation.

Q. What about your central station sprinkler supervisory and water flow alarm service?

A. That is 100% of the time, the same as the automatic fire alarm.

Q. And your local alarm, during what period is that in operation?

A. Well, only during the closed periods, when the man sets it.

Mr. Fritz: Is that true of your local fire alarms too?

The Witness: No. Local fire alarms would be in operation at all times. Of course, we have no supervision over them. They can shut them off if they want to.

[fol. 4039] Page 117

Q. Yes. In the cases where you have provided proprietary systems, that is, sold them and maintained them, have you endeavored to sell other types of station protective service to those purchasers?

A. In some cases, yes. This has evolved from a matter of asking us for an evaluation of what to do, and from the problems that became apparent at the premises it seemed in many cases central station service wasn't the answer because of the complexity of the closings and openings and irregular operating periods of various machine departments and so forth, and we have suggested then proprietary operation monitored.

Q. Now, you mentioned a bearing company having watchmen.

Are there a number of industrial plants and similar institutions and banks in and around San Francisco that do use guards as a matter of protection of the premises?

A. Oh, yes.

Q. Quite a lot?

A. Oh, I would think so, yes. I mean, this is nearly always a consideration in the alarm system.

Q. What do you mean by that, it is always a consideration in the alarm system?

A. For the elimination of the guard cost.

Q. But there are many plants that have that type of protective service, are there not?

A. Oh, yes.

Page 118

Q. And are there some companies here in San Francisco

[fol. 4040] that engage in the business of furnishing guards for a protective service of that kind?

A. Yes.

Q. Do you do it?

A. No.

Q. And do you run into those companies who furnish guard service in a competitive fashion from time to time?

A. No, not in a competitive fashion.

Q. But they do furnish protective service which in some instances otherwise might be replaced by central station. Is that right?

A. That is true.

Page 122

Q. All right. You said in some instances—and this was in response to one of Mr. Story's questions—that you don't retain title in some instances to the property on a subscriber's premises in connection with central station burglar alarm. Right?

A. Yes.

Q. Is that a matter of your company's policy or is the policy the other way?

A. It actually makes no difference to us.

Q. No. I am asking you what the policy is.

Mr. Finch: Well, he is trying to tell you, Mr. Fritz.

The Witness: I am trying to tell you.

Mr. Fritz: He is saying it doesn't make any difference to him.

Q. Does the company have a policy whereby it retains title to the property on a subscriber's premises, or not?

[fols. 4041-4042] A. Well, there is no such policy.

Q. Doesn't your contract provide for it?

A. Our contracts provide for either operation, whichever

Page 123

one we feel is—I mean they feel—or in the discussion is necessary. We can provide a contract that shows we do retain ownership of the equipment.

Q. Well, in general isn't that what you do?

A. In general, yes.

* * * * * * *

[1 4043] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 333

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of SARAH E. JACKSON, Denver Burglar Alarm Company, 422 - 21st Street, Denver, Colorado.

Page 2

Q. Would you kindly state your full name and address, Mrs. Jackson.

A. Sarah E. Jackson, 422 21st Street, Denver, Colorado.

Q. Is that your residence address or your business address?

A. That's my business.

Q. What is your occupation, please.

A. I'm President and General Manager of the Denver Burglar Alarm Company.

Q. How long have you held that position, approximately?

A. Oh, approximately 12 years, as President.

[fol. 4044] Q. And the approximate date of establishment of your business?

A. We were incorporated January 21st, 1921. We were under the same ownership ten years before that.

Q. 1911?

A. That's right.

Q. And the business in those days was conducted, I take it by your husband; is that correct?

A. Yes.

Q. And as the business began way back in 1911, did you know

Page 3

about it then, I mean were you married to Mr. Jackson at that time?

A. Kind of a silly question, isn't it?

Q. No, I just wanted to know whether you knew about it or not.

A. No.

Q. It might be a silly question.

A. Yes, I would think so.

Q. What is the——

A. I am not going to allow myself to be put in that category, you see, so I am——

Q. Well, I'm not trying to put in a category.

A. No, I'm just kidding.

Q. I'm trying to get to this point, namely: What was the type of business which the company did way back in 1911?

A. It was an emergency business. It wasn't even a [fol. 4045] watchman business. By emergency, I mean that —and this was in the days before the Yale locks, so people forgot to turn the key in their lock as they left, and if the Police Department found a door open, they would call the Denver Fire Dispatch, as we were known then, and my husband would run down with a lock and snap a lock on the door, and put the screw eyes in, and then take the key and a red tag fastened to the key to the Police Department, and the owner the next morning would find a red tag on his door and go to the captain's desk at the police station and open up his door. For this we charged $2. And then we would go by to pick up the lock and key and collect $2 if we could.

Page 4

Q. How long did the business continue along those lines?

A. Oh——

Q. Roughly.

A. Quite awhile, I would say about 12 to 15 years.

Q. Well, did there come a time when your husband, and possibly you, too, went into the protective service business here in Denver?

A. Yes. We went into the watchman business not too long after that. It's very possible this did not continue 12 years, I don't know, I——

Q. Well, I'm only looking for approximate times.

[fol. 4046] A. So then we went into—or they went into the watchman business, which consisted of beat work.

Q. Patrol work?

A. Of patrol work. A certain number of customers were solicited, you know, in an area, and then a man would be put on seven days a week to patrol that area, from 5:00 at night until 6:00 in the morning.

Q. For the purpose of——

A. That's right.

Q. For the purpose of watching the establishments?

A. Checking doors, and so forth. Then later we established a little more comprehensive service, such as checking inside of buildings, and turning on pilot lights, and water heaters, and that sort of thing. And then we even had guards stationed in various establishments and patrolled the building throughout the

Page 5

night.

Q. This was all at a time, I take it, when you were not then furnishing any type of protective service as that is known today, correct?

A. Right.

Q. About when was it that your company began to furnish some type of protective service in addition to what you've already told me about?

[fol. 4047] A. Well, between 1939 and 1940, we went into the burglar alarm business.

Q. Was the American District Telegraph Company in business here in Denver during the periods that you've mentioned up to this time——

A. Yes.

Q. —or did they come after——

A. They have been in business as long as I can remember.

Q. And in 1939 or thereabouts when you began to go into the burglary protective field, what companies were there here in Denver that were engaged in similar activities or in furnishing protective service of any kind?

A. The Denver Burglar Alarm Company owned by——

Q. This was your company?
A. Another——
Q. What?
A. No.
Q. No? You tell me.

Page 6

A. Owned by another firm known as the Denver Burglar Alarm Company, Glenn Miles was the owner. But we went into the local burglar alarm busines. And in 1943, we bought out the Denver Burglar Alarm Company.
Q. I see.
[fol. 4048] A. And retained the name.
Q. I see. Am I correct in assuming that the Denver Burglar Alarm Company had engaged only in what is known as local burglar alarm service?
A. No. They had some central station, 14 accounts, to be exact.
Q. So when you bought that company you took over their subscribers for local burglar alarm service and also their 14 central station accounts, is that right?
A. Right.
Q. How many burglar alarm accounts did you take over from them, approximately?
A. Oh, about 150.
Q. 150?
A. About that.
Q. Now, at that time in 1939, I take it, then, you were in a situation where you were able to furnish both local and central station burglary protective service; is that correct?
A. We were not until that time. And then when we took over the 14 central stations, why, we continued.
Q. At that time did you have your own central station?

Page 7

A. We did not.
Q. How did you function with respect to the handling of the central station accounts?
[fol. 4049] A. We established a central station.
Q. At that time?
A. That's right.

Q. In approximately 1943, did you say?

A. '43, right.

Q. Now, were there other companies or organizations here in Denver furnishing protective service of different kinds in 1943?

A. Yes.

Q. What were they?

A. Watchman service, mainly, patrol service.

Q. What were the companies, if you recall?

A. I don't know.

Q. Were there a number of companies engaged in furnishing——

A. I think there two or three at least.

Q. And——

A. There was a man by the name of Ali, A-l-i, who had been in business here for a long time, and had the major part of the downtown area.

Q. Furnishing watchman——

A. Yes.

Q. —and patrol service?

A. And there was another man, I don't recall his name, and he

Page 8

also had quite a good size company. There were at least those two.

[fol. 4050] Q. Were there——

A. Then there was a Guardian Signal out east, and they're still in business.

Q. What kind of business do they have, protective service?

A. Patrol service, and—I think that's about all, it was that sort of thing.

Q. And of course, American District Telegraph Company——

A. Yes.

Q. —has been in business all these times of which you were talking?

A. Yes. But you asked me about watchman companies.

Q. Well, I was asking about all types of protective service.

A. Well, ADT, of course.

Q. Yes. Anybody else?
A. Not that I know of.
Q. Yes.
A. I know of those three, and then ADT.
Q. Now, presently, what does the service which your company furnishes consist of, by types?
A. Well, we furnish local alarm service, central station burglar alarm, and fire alarm service, which consists of automatic fire alarms, sprinkler supervisory——
Q. Water flow?
A. Water flow. Industrial supervision, such as supervising

[fol. 4051] Page 9

refrigeration, and so forth.
Q. Pressures, water levels, and things of that sort?
A. Well, that's included in the supervisory.
Q. In the industrial supervision type of service, right?
A. Well, industrial is—we classify it as something else.
Q. Do you? What do you comprehend in that type——
A. Refrigeration supervision, boiler supervision, and so forth. This is not included in the supervisory as such.
Q. I see. Now, does that enumeration comprehend entirely the types of fire alarm service that you render?
A. Right.
Q. Now, when we refer to local burglar alarm service, I presume we're talking about the type of service where an installation of a device is made upon a subscriber's premises, which upon disturbance or an attempted intrusion gives an alarm locally on the premises; is that correct?
A. Right.
Q. No connection with any central station——
A. Right.
Q. —receiving point?
A. No.
Q. Approximately how many customers does your company now have of local burglary protective service?
[fol. 4052] A. Oh, around 378.
Q. I'm looking for exact figures.

Page 10

A. About that.

Q. So is you think that's about right, why, I'll take that that way.

A. All right.

Q. Does that number of 378 include some of the old and local burglar alarm subscribers that you took over——

A. Yes.

Q. —from Denver Burglar Alarm back in 1939?

A. It does.

Q. Do you have a——

A. '43.

Q. '43? Do you have a fairly substantial number of those old subscribers still taking local burglar alarm service?

A. I don't know how substantial that number is, I can't tell you that. But there are some.

Q. Yes. But I take it from the fact that you bought 150 accounts, you now have 378, that over the years there has been annually a gradual increase in that type of subscriber, is that correct?

A. Yes. However, that isn't much of an increase in 20—almost 20 years.

Q. But it does represent an annual——

A. Yes.

[fol. 4053] Q. —increase——

A. Right.

Q. —of some number of subscribers?

Page 11

A. That's right.

Q. Is that correct? Now, how many customers does your company have presently of central station burglary protection service?

A. Oh, as of about two weeks ago, 775.

Q. You started back in 1943 with the acquisition of 14 accounts, is that right?

A. Yes.

Q. And so they, too, have increased year by year up to the number that you presently have given, is that right?

A. Yes.

Q. What would you say has been the rate of increase, approximately, annually, both in local and central station?

A. Oh, I don't know. It's hard to tell. You know, we

put on three and lose two, and we can put on five and lose two or three, and so forth, so——

Q. Well, the net increase——

A. —I can't tell you, I just don't know. It fluctuates so, that—with the losses, that the—I can't tell you.

Q. Now, your fire alarm service, I take it, is all of the central station type, is that correct? Or do you have some locals?

[fol. 4054] A. No, all central station.

Q. The automatic fire alarm type of protection that you mentioned before consists of what? How would you describe it?

A. Well, these are detectors of various types that are placed in the building connected to a transmitter that causes—when

Page 12

there is a rise of heat, why, we get a signal, and it comes in from this coded transmitter to a register.

Q. Does it involve smoke detection devices?

A. No, we don't use smoke detection devices.

Q. Essentially you use the temperature rise type of device?

A. Rate of rise, fixed temperature, and so forth.

Q. Now, your sprinkler supervisory and water flow service consists of what?

A. Of transmitters, devices on the gate valves, and risers, and the water flow, and manual pull boxes, temperature, city water pressure, water level.

Q. All of that is of the automatic type, I take it, except the manually operated fire alarm boxes, is that correct?

A. Right.

Q. Are those manually operated boxes located on the subscriber's premises?

A. Yes.

Q. Now, industrial supervision you said before includes [fol. 4055] the automatic detection of wrong conditions, so to speak, relating to refrigeration and other things. Some of the other types were boiler pressures, did you say?

A. No. In the event that a pilot light went out in a boiler, we would get a signal. We don't have too much of this, but we have a few.

Q. Now, approximately what is the number of customers which

Page 13

your company has of the automatic fire alarm type of protection?

A. We don't have too many. I wouldn't—I don't think we have more than a half dozen automatic.

Q. And your sprinkler——

A. We have about 75 altogether.

Q. 75 altogether, you mean including automatic fire alarm, sprinkler supervisory, and water flow?

A. (Nodding head.)

Q. Does that number of 75 also include the industrial supervision?

A. Yes.

Page 14

Q. Is all of the protective service which you render of the approved or certificated variety?

A. Not all of it, no.

Q. When I use the word "approved" or "certificated" you will understand, I think, the way that's generally used?

A. I do.

[fol. 4056] Q. It entitles subscribers to a discount from the normal insurance premiums they'd otherwise pay?

A. That's right.

Q. Is that your understanding?

A. Yes.

Q. What percentage of your total service, either by way of revenue or customers, is of the approved variety?

A. Just a minute. (Referring to documents.) 162. 162 of the 752.

Q. That's the central station burglary?

A. Of our central station, silent central station alarms. Of the 752, 162 are certificated.

Q. How about the 378 locals?

A. There are only a half a dozen or so certificated. There are

Page 15

72 fire alarms, to be exact.

Q. Instead of 75?

A. And 348 locals.

Q. Instead of 378?

A. Right, right. See, in our business we have a tendency to exaggerate.

Q. Well, everybody's proud of what he does, and it's probably a natural tendency. Now, the fire alarm protective service, numbering 72 customers, I take it is all of the approved variety?

[fol. 4057] A. Approved by the Mountain States Inspection Bureau, but some of these people do not take advantage of the——

Q. The rating for the approval?

A. —the rating bureau, because of—one thing or another. For instance—I don't think I can give you a for instance. There are only two or three that don't have complete protection, they don't—didn't want to pay the——

Q. In other words——

A. They didn't have a complete——

Q. —there is in existence a complete protection which is complete so that it gets the full approval. Those such people are not entitled to a discount.

A. That's right.

Q. Although a portion of their system might otherwise be approved, is that right?

A. Well, on water flows there is a certain discount, and on supervisory there's an additional discount. And I don't believe

they avail themselves of the additional discount simply because they are not completely protected.

Q. Does that mean that the premises are not in all respects protected but are only partially protected, is that what you're saying?

A. That means that some of the—they may not have supervisory service on the—all their valves, risers, and so forth.

[fol. 4058] Q. I take it you're not in the position to know precisely what discounts your subscribers receive, are you?

A. That isn't up to us, the rating bureau makes those rates.

Q. Yes. And you have no reason to know what a subscriber actually receives in the way of a discount, is that right?

A. No. I know approximately here and there, but I—it is actually none of our business.

Q. Yes.

A. So we don't do anything with it. I do know that 12 percent, approximately 12 percent on water flow, only—this depends upon the individual's policy, and so forth. These figures can be had from Mountain States Inspection Bureau, from the National Board of Fire Underwriters manuals.

Q. Manuals.

A. And so forth. So——

Q. Now, Mrs. Jackson, would you tell me, please, what is the approximate annual gross revenue of your company from all of your protective services?

Page 17

Q. Well, I'm not asking that you break it down, I'm just asking you to give me at this time——

A. The total.

Q. —the annual gross figure.

A. Well, in 1960, 375,000.

[fol. 4059] Q. 1959?

A. 338.

Q. In 1958?

A. 299.

Q. '57?

A. 274.

Q. '56?

A. 268.

Q. In '55?

A. 238.

Q. Now, of that revenue, approximately what percentage would be represented by your central station burglary protective service?

A. I can't tell you that.

Q. Can you give me an approximation?

Page 18

A. No. I don't have it broken down, I haven't the slightest idea.

Q. Well, based upon your knowledge of the business as President of the company——

A. And——

Q. —can you give—just a minute.

A. But I think we should back up a little bit.

Q. Yes.

A. Because in 1955 we were still furnishing watchman service.

Q. Yes.

[fol. 4060] A. So 45,000 of the 238 is watchman.

Q. Yes.

A. 1956, 39,000, approximately, of the 268.

Q. Yes.

A. '57, 33,500 of the 274.

Q. That's watchman?

A. Right.

Q. All right.

A. And 1958, approximately 17,000 of the 299. 1959, about $3500 of the 338. 1960, 2500. And in this figure, in all of these figures, going back to 1955, we have tax, federal tax, of 14,000, '56, 17,000——

Q. I'm sorry, I missed the 1955 tax figure. I'm not interested in that if you don't care to give it——

A. Well, it's important.

Page 19

Q. All right.

A. Because it comes off the total.

Q. All right.

A. So it's very important.

Q. All right.

A. So in 1955, 14,000.

Q. This is federal income tax?

A. Right.

Mr. Story: Excuse me. Is that the excise tax now or——

[fol. 4061] The Witness: Yes, the 8 percent tax.

Mr. Story: Well, that's the excise tax.

The Witness: This is excise.

Q. This is excise tax?

A. Excise tax.

Q. Not federal income tax?

A. No, no, no, federal excise tax.
Q. All right.
A. I'm sorry I didn't——
Q. That's all right.
A. 1956, 17,000.
Q. All right.
A. '57 approximately 18,000. '58, approximately 21,000. '59, 19,000. 1960, approximately 21,500.
Q. Now, you've given me the deduction from watchman service from each one of those totals for each of the years in question.

Page 20

would be good enough to give me an estimate as to what portion of the totals is represented by your various types of services? Just an estimated basis.
A. I can't give it to you, I haven't the slightest idea. We don't—we don't carry it that way. Our local alarms and central station fire alarms are all added in together, and I cannot give them to you.
[fol. 4062] Q. You mean your records and your books don't indicate——
A. No.
Q. —what revenue you got from your three hundred——
A. They do not. They'd have to be taken off of each individual account.
Q. Well, would it be fair to say that during the years in question that the central station protective service from your 750 customers represented more than the revenue from your 348 local burglar alarm subscribers?
A. Well, I'm not sure that it's fair to say that, but——
Q. Well, that's what I'm asking, I really don't know.
A. Yes. I'm not sure, either, because there's a telephone line charge involved.
Q. But I'm talking about the gross, the gross revenue.
A. Well, I'm talking about the gross revenue, too. So when you deduct the telephone line charge from a $20 account, for instance, and the line charge may be from five to seven or eight dollars, and when you deduct this you have the same amount as you

Page 21

do from a local alarm, so I—I can't tell you.

Q. In other words, your revenue from your central station and from your local alarm might very well be close together because of the necessity of incurring the telephone [fol. 4063] line charge, is that what you have in mind?

A. Sometimes, not altogether, just——

Q. Well, it would depend on the location and nature——

A. Yes, it depends——

Q. —of the subscriber's premises, would it not?

A. That's right. It depends on the location and——

Q. Distance?

A. —and distance, and extent of the protection, and so forth.

Q. But taking the gross charge that you make to your subscribers for both types of burglary protective service, do you have any idea at all within some kind of a reasonable range as to what percentage of the gross comes out of of your 348 locals and what percentage of the gross comes out of your 750 central station transcribers?

A. Would you repeat that, I don't understand what you're asking.

Q. Yes. I'm asking whether you can't estimate what percentage of your total revenue each year is derived from your 750 central station——

A. I can't do that, I don't have the figures.

Q. Based upon your general knowledge of the business over these years, can't you give me some estimate of that?

A. No, I can't, I don't know.

Page 22

Q. All right, very well. You wouldn't know whether it [fol. 4064] was a half for central station, or whether it was a third?

A. I—I don't know.

Q. You don't have any idea, is that right?

A. I have no idea. I have never——

Q. You have never had any occasion to break this down that way?

A. No.

Q. And your books don't show unless you dug it out on a detailed——

A. We have it.

Q. I know, but you have to dig it out by a detailed examination, is that right?

A. That's right.
Q. And you don't have those figures available?
A. No.
Q. Now, what are the categories of establishments to which you render your protective service, just in a general way?
A. All kinds, all types of businesses.
Q. Commercial and manufacturing, to begin with?
A. Commercial and manufacturing.
Q. In the commercial field, does it include small retail stores, such as jewelry stores?
A. Yes.
Q. Liquor stores?
A. Yes.
Q. Or retail clothing stores?

[fol. 4065] Page 23

A. Yes,
Q. And on the manufacturing side, does it—or on the industrial side, rather, does it include warehouses and manufacturing plants?
A. Yes.
Q. How about government installations, does it include that?
A. We have none, except—no, we don't have any government installations.
Q. Do you have any service to subcontractors who have to have your—subcontractors of the government—to have your service for security reasons?
A. Yes, I think we have one account.
Q. What type of service is that?
A. Subcontracted to the government.
Q. What type of service do you render there?
A. Oh, fire alarm, burglar alarm.
Q. Central station subscriber?
A. Uh-huh. And——
Q. Local?
A. No, no.
Q. Industrial supervision?
A. Just skip it, I'll find the word in a minute.
Q. All right.
A. Proprietary.

[fol. 4066] Q. Oh, a proprietary system. That's a system in which the signals emanate and are all received within the subscriber's

Page 24

premises, is that right?

A. Right.

Q. You have just one of those?

A. Just one.

Q. Now, is it your experience, Mrs. Jackson, that you might have or do have a local burglary protective service in a jewelry store in one block, and in the next block a jeweler of similar size and premises of similar size of business who have central staton burglary protective service? In other words, is your experience that any type of these businesses that you mention have from time to time either local or central station, or do some of them have most types?

A. What was the first question you asked?

Q. What?

A. What did you——

Q. All right, withdraw the whole thing, strike it all out. In your experience do you find that small jewelers, for example, some have local service and some have central station protective service, burglary?

A. Well, what about the blocks, you said in one block and then the other.

[fol. 4067] Q. Yes, you take one in one block, and then the jeweler in the next block, my question is, is it your experience that one might have local service and the other might have central station service?

A. Yes.

Page 25

Q. And they do, do they not?

A. Yes.

Q. And that's true, is it not, in every other category of commercial and industrial business that we mentioned before, it's true of the liquor stores, it's true of the retail clothing stores, pawn brokers?

A. Yes.

Q. Warehouses? Now, is your service furnished under some form of written contract, Mrs. Jackson?

A. Yes.

Q. Have you produced here samples of your contract forms?

A. Yes.

Q. May I see them, please?

Mr. Fritz: I ask that these two papers be marked for identification Defendants' Exhibits 1 and 2.

(Defendants' Exhibits 1 and 2 marked for identification and annexed hereto.)

Q. These two forms of contract that you have just handed me, that have been marked Defendants' Exhibits 1 and 2 for identification, are they forms of contracts that [fol. 4068] have been used for many years in your business?

A. Except for minor changes, they are the same, yes.

Q. I note on both of them the name "Denver Fire Reporter & Protective Co., Inc."

A. That's right.

Page 26

Q. Is that presently the incorporated name of your company which is doing business as the Denver——

A. Our company was incorporated under the Denver Fire Reporter Protective Company, still is. And then when we purchased the Denver Burglar Alarm Company, we incorporated that company mainly for the name, and we have—actually, it's a dormant corporation, the mother company is the Denver Fire Reporter Protective Company, we do all our business under that.

Q. You're listed, I think, in the classified telephone directory, are you not, as Denver Burglar Alarm Company?

A. And the Denver Fire Reporter, too.

Q. Both ways.

A. Yes.

Q. So that both names are used in connection with the services that we've been talking about, is that correct?

A. Right. Denver Fire Reporter under "Fire," I believe, and Denver Burglar Alarm Company under "Burglar Alarm."

Q. The revenue figures and the total number of custo- [fol. 4069] mers that you've given me represent the custo-

mers and the revenue from both companies for both types of—all types of services, is that correct?

A. It isn't divided, it's all.

Q. It's the total?

A. Yes.

Q. I don't pick it up quickly in looking at these forms of contract, do they provide that the title to the equipment installed

Page 27

by your company on subscribers' premises shall remain with your company?

A. That's right, it does.

Q. And how long has that provision been in your company's forms——

A. Always.

Q. —of service contract?

A. Always.

Q. Upon the termination of a subscriber's service contract, what is the practice of your company with respect to the removal of equipment on the subscriber's premises?

A. Well, it depends. If the man is just moving out of the building, we leave it in and hope that we can sign up the people who move in.

Q. When it becomes apparent——

[fol. 4070] A. If they are not—if they just discontinue the service, they don't want it any longer, we remove the equipment.

Q. Do you remove everything which you initially installed, or is there some part of the material originally installed which is left in the premises usually?

A. Well, we generally leave the wiring.

Q. And the foil?

A. Not always, depending upon the situation.

Q. Am I correct in suggesting that the equipment that you do not remove is uneconomical to remove because it would cost more

Page 28

to take it out than it's worth?

A. That's right. And then it might disturb the customer because he's painted, and so forth, and there isn't any

value in wire to cause a hardship, and so we just leave the wiring.

Q. Yes. What in general is the period or duration or term of your contracts?

A. Minimum of one year.

Q. And maximum?

A. Five years. We have some for ten.

Q. Which forms the bulk of your contracts, the one, five, or ten?

A. I don't know. An average of two years, I would say an average of two years.

[fol. 4071] Q. If I were to ask you how they break down, the number of customers having one, five, or ten years——

A. I can't tell you.

Q. You wouldn't be able to answer that question, is that right?

A. No, sir.

Q. Is the number of your five year contract subscribers a substantial number?

A. No.

Q. Is your ten years a substantial number?

A. No, sir.

Q. Your one year?

A. I would say an average of two years.

Page 29

Q. Normally, when your burglary protective service contracts expire, do you enter into a brand new contract, or does the service just automatically continue until notice by either side, or by one party?

A. Well, heretofore, we have signed another contract, but we have included a clause that would—that this contract would become—automatically renew itself with 30 or 60 day——

Q. How long has that latter clause been in effect in your contracts?

A. Oh, the last six months or so.

Q. Your local burglar alarm contracts, going back to the very early days of your acquisition of Denver Burglar Alarm, and then the subsequent acquiring of more subscribers, are those local burglar alarm subscribers on a—

[fol. 4072] were they on a one-year contract basis?

A. I can't recall. I think they were various——

Q. Various terms?

A. —terms of time, up to three years, I believe.

Q. Has it been the practice of your company, and have you, in fact, entered into new contracts with such people, or have they been automatically carried on——

A. As they expired—no, we didn't have that clause, we renewed the contract.

Q. In the case of all of these local burglar alarm subscribers that's what you did?

Page 30

A. Yes.

Q. Now, the address that you gave me at the outset of your testimony I think you said was your business address?

A. That's right.

Q. Is that correct? Is that the only location from which your company does business?

A. Right.

Q. What in general is the geographical area covered by the service which you render?

A. Well, we service metropolitan Denver.

Q. By that, you mean Denver itself, and the outlying suburban areas?

A. Right.

[fol. 4073] Q. Does that apply to all of the various types of services——

A. Right.

Q. —that you furnish? Approximately how many employees do you have at the present time?

A. Oh, we have about 27 or 28.

Q. How does that compare with the number of employees you had, say, in 1955 and '56?

A. About the same. No, no, not the same. It's about—I would say from '56 to now, we have probably seven or eight more.

Q. Than you had for the period——

A. Right.

Q. —prior to '56?

Page 31

A. Yes. Maybe ten more.

Q. Distance-wise, what is the radius operation from your——

A. Oh, I would say the farthest that we go probably is ten miles, maybe 15 for one or two.

Q. Does that last answer apply to central station burglary protective service?

A. Yes.

Q. Also to local?

A. Yes.

Q. And also to the extent that you have customers for your fire——

A. Yes.

Q. —protective service, is that right?

[fol. 4074] A. Uh-huh.

Q. I gather you don't engage in the manufacturing of the devices which you use in your protective service, is that right?

A. No, we don't manufacture.

Q. From whom do you purchase your equipment used in connection with protective service?

A. Well, many companies.

Q. Who are they?

A. Walter Kidde, Ademco, Potter Electric, Central Station Signals—oh, Leiberman Supply, and various wire manufacturers, and so forth.

Q. Well, those are the main ones that you've mentioned?

A. Yes.

Page 32

Q. Have you always purchased the necessary equipment from one source or another?

A. Yes.

Q. Ever since you've been in business?

A. Oh, in the beginning we tried to manufacture some things, but we have never really manufactured a complete system.

Q. Yes. But say going back to 1943 after you took over Denver Burglar Alarm, I take it what you've told me now about purchasing equipment applies for that period?

A. Yes, it does.

[fol. 4075] Q. Based upon your experience with local burglary protective service, in your opinion, is that an efficient means of protection of property?

A. Would you repeat that?

Q. Based upon your experience in the local burglar alarm field, in your opinion, is that type of service an efficient means of protection of property?

A. I think—I don't think it's the best service, no.

Q. Is it a good means, though?

A. Fair.

Q. Have you had losses in connection with your central station? That is, have your subscribers had losses in connection with your central station burglary protective service?

A. Oh, yes, they've had losses.

Q. And likewise with respect to the local burglar alarm

Page 33

subscribers?

A. Yes.

Q. They've had losses.

Q. Yes, surely. Do you have any of the type of service that is sometimes referred to as direct-connected service, that is, service where a subscriber's premises are connected directly into either police or fire, municipal——

A. No, sir.

[fol. 4076] Page 34

Q. Is there such service here in Denver?

A. Yes, there is.

Q. What are the——

A. Or I think it still exists, I——

Q. Yes.

A. As far as I know.

Q. Your company doesn't furnish that type of service?

A. No.

Q. Is that right? What are the companies that are presently engaged here in Denver in the various types of protective service that you know of?

A. Well, our company——

Q. Maybe I could make it a little easier for you by just showing you these sheets taken from the classified directory with respect to both burglary and fire protection companies. You're familiar with these, are you not?

A. I haven't looked at the phone book lately, but I'll (referring to documents).

Q. You may have to turn the pages to get to the right place.

A. Well, the fire protection is—this is equipment, fire alarm systems—are you talking about fire alarms, now, or what?

Q. Well, all types.

A. Well, here you have ADT.

[fol. 4077] Q. Yes. I thought you might look through that and then just tell me whether you know of any other additional companies that

are engaged in the protective service field here in Denver besides those listed there.

A. Other than this?

Q. Yes.

A. How would I know?

Q. Well, I don't know, it's conceivable that you might. You're one of the outstanding people in this busines.

A. The Telephone Company is the seeing eye, you know, they know more than anyone, so I wouldn't know more than this, I assure you.

Q. What you are saying is you think probably those extracts from the classified directory pretty much represent the number and names of people who are engaged in these services here in Denver, is that right?

A. Well, I would think so.

Q. Yes.

A. Also, I would think that it's rather a foolish question, because if anyone goes into business they naturally get a telephone and it would be listed.

Q. Well, unfortunately, every once in a while I ask a foolish question, but I don't think I'm unique in the law-[fol. 4078] yers in that respect.

Mr. Fritz: Will you have this marked for identification?

(Defendants' Exhibit 3 marked for identification and annexed hereto.)

Q. I know you don't mean that as anything personal.

Page 36

A. No, no, I don't. But I mean isn't it true that when you go into business that the first thing you do is get a telephone?

Q. Well, it can be true, but then we've had instances where we've found that there were people who came into the field since the directory was published, for example, and some of the people happen to know about that, so in that case it wasn't such a foolish question.

A. Well, they would still have a telephone, but it might not be listed.

Q. That's right, that's the whole point. Would you know, for example, if Minneapolis-Honeywell is engaged in furnishing any kind of protective service here in Denver?

A. I don't know.

Q. How about the——

A. I think that they—I have heard rumors to that effect. Whether they are engaged in the actual central station alarm business or whether they just sell equipment, I don't know.

Q. How about the Diebold people?

[fol. 4079] A. The Diebold people have been in the burglar alarm business for many, many years.

Q. In Denver?

A. Here and every place else, yes. Mostly in the bank business. And they make installations and hook these directly into the Police Department, or they are just loud ringing gongs on the outside of the building.

Page 37

Q. Does your company furnish any local or central station protective service to any of the banks?

A. Not any major banks, no.

Q. You have some smaller banks?

A. Yes, such as building and loan, and that sort of thing. But——

Q. Does Diebold have the bulk of that bank business in Denver?

A. I don't know.

Q. They have some of it, you know that?

A. I don't know.

Q. Do you——

A. They have some of the banks, yes, but whether it's the bulk or not I don't know.

Page 42

Q. And what is your practice with respect to the payment of the installation charge, is it all paid at one time by the subscriber?

A. We have some people that say, "Can't I pay it in two or three payments," and that sort of thing. That's generally how it's handled, mostly paid in one payment.

[fol. 4080] Q. Over what period of time do you permit those who want to pay on an installment basis, so to speak?

A. Oh, under four or five or six months, we can't afford to carry it, very seldom six months, we just don't have the capital to operate on.

Page 43

Q. Do you have any fixed standard or schedule of prices for your various types of services, or do they fluctuate depending upon the needs of the customer, the nature of the premises?

A. Well, it can't be fixed, they have to fluctuate because of the distance involved, telephone lines, running distance, extent of protection, type of protection, and type of business, too. And it's awfully warm in here.

Q. Is it, really.

A. Yes.

(Discussion followed off the record.)

(A recess was had.)

Q. Well, I take it from your previous answer, Mrs. Jackson, that the service which you furnish has to be more or less custom-made or tailor-made to a customer's requirements, is that right?

A. The installation is custom-made, the equipment is very much the same.

Q. And because of the varying circumstances which you [fol. 4081] mentioned a moment ago, the prices naturally have to be fitted to each

Page 44

particular situation, is that right?

A. That's right, there aren't any two buildings that are exactly alike, unless they happen to be a row of buildings one next door to each other.

* * * * * * *

[fol. 4082] Q. My question to you is—Mr. Story said do [fols. 4083-4084] you have notes of your written bids?

A. Yes, of course.

Q. Now, my question is, did you actually charge your subscribers in the contract that you got the amounts that you submitted in this written bid?

A. Yes. Now, I will add this, further: In the first part of

Page 75

1958, these were the only ones that I could remember at the moment, ADT imported a salesman from Milwaukee, and——

Q. His name? His name?

A. I don't remember his name. I don't know that I ever knew it. But everything during quite a few months——

Q. How long a time?

A. I don't know. But I remember it, because of—they went on a no installation cut price thing, and we lost, oh—maybe we got one out of six or seven that we bid on that ADT was bidding on at the time. They just took everything, no matter how low it was, or how big the job was, there was no installation, and very low rental.

Q. What period of time was that?

A. Well, I—I have here—this is the first part, this Marsolek's happened in June——

Q. Of '58?

* * * * * * *

A. Yes. Skaggs was March.

[fol. 4085] Q. But now you're telling me that someone from the ADT came to visit you sometime in the past; that's correct, isn't it?

A. Yes.

Q. Mr. Highstone?

A. Yes.

Q. That was when? Approximately?

A. Well, let's see, this is November. I think it was the first part of September, or it might even have been in August. It was in the last few months. He came unannounced, and they called me on the radio and said that he was in my office, and I came right in, and told me about their—the problem they were having, and that someone would be in to—to take a——

Q. Deposition?

A. —deposition, and so forth. And I said, "Fine." And he

[fol. 4086] Page 82

said—or I said, "What are they going to ask?" And he said, "Well," he said, "first I'd rather—" and I think this is almost word for word—he said, "First I'd rather tell you about the problem." And he says, "You know," he says, "if we lose this it's going to be bad for all of us." And I said, "What do you mean?" And he said, "Well, you know if—if we lose this suit, the government are going to make us terminate our contracts at the end of the year and the equipment belongs to—would belong to the customer." And I said, "Well, that would be kind of strange, what would they do without service?" "Well," he said, "that's just the point, what would they do without service?" And so forth. So the conversation was—went along a little bit along those lines, and then—and then we went on about the various questions. "Well," he said, "another question they're going to ask is if—has ADT ever threatened you or coerced you or have you had any problems with them." And at that point I said, "Well, if you have any—any power to—to stop this interview with me, this deposition with me, it would be best—in the best interests of ADT if they didn't talk to me at all." He said, "Why?" I said, "Well, I have been threatened."

Q. And have you?

A. I have.

[fol. 4087] Q. When did that take place?

A. It took place twice.

Q. When?

A. When we first started in the burglar alarm business.

Page 83

Q. In 1943?

A. Around 1939, between 1939 and 1940, when we first went into the local burglar alarm business. We were in the business when we bought out Denver Burglar Alarm Company, so we were already established in 1943, this was prior to 1943. Mr. Oscar Blank, who was then manager——

Q. How do you spell the last name, Im not familiar with it.

A. B-l-a-n-k. He has passed away since. But he was in charge of the ADT office at that time. My husband was Dr. Jackson, a dentist, in the Mack Building. And he called my husband at his office, and he said, "Jackson, I'd like to have you come over and see me." And my husband was the kind of a guy that would say, "Why, sure, I'll be over," and he was. And he walked into Mr. Blank's office, was announced, and Mr. Blank said, "Come on in," and he went in. And Mr. Blank—and my husband offered his hand, and Mr. Blank didn't offer his hand, didn't ask him to sit down. And my husband said, "You wanted to see me." And he said, "Yes." He says, "I understand you're going into the burglar alarm business." Dr. [fol. 4088] Jackson says, "Yes, we think we will, we're thinking about it." He says, "I'll tell you this," he says, "I'll tell you this right now," he says, "you can go in the local burglar alarm business, but don't you go in the central station business."

And when my husband came home that night he told me about it. And right then and there, ADT gained themselves an enemy—me. And I can tell you every time I get an account I feel a little

Page 84

better.

Q. Well——

A. Then the other time——

Q. Before you get on to that, your husband has also since passed away, hasn't he?

A. Yes.

Q. You did enter the central station business then, as you've told us?

A. We did.

Q. Now, the other situation that you refer to is what?
A. When the banks——
Q. Excuse me just a moment.
A. Yes.
Q. You were not present, of course, at this conversation between your husband and Mr. Blank?
[fol. 4089] A. No.
Q. Now, what is this other transaction?
A. The other transaction happened during the time that the banks were—went into the direct hookup into the Police Department.
Q. When was that?
A. I don't know.

The Witness: You have the date, you remember that. Do you recall that? You were in on it.

Q. You are addressing yourself to Mr. Shafroth now?
A. Mr. Shafroth?

Page 85

Q. Yes.
A. Do you—you have the dates.
Q. Well, how many years ago, approximately, was it?
A. Oh, I don't know, it's been three or four years ago, about four now.
Q. All right, what happened?
A. A piece came out in the paper about the Denver Burglar Alarm Company, in smaller print, and ADT are opposed to the banks going into the Police Department, and interfering with private enterprise, and so forth and so on. And Mr. Blank called me on the phone, he said, "Mrs. Jackson, have you read the morning paper?" And I said, "Yes." And he said, "What do you think of it?" And I said, "I assure you I haven't anything to do with that." [fol. 4090] And he said, "I know, but," he said, "don't you think we ought to go to bat together and do something?" So with that, they called in their Denver attorneys—this is the gentleman that was—represented them at the time——
Q. Mr. Shafroth.
A. Mr. Shafroth. And my attorney was William Erickson. And I suppose at the time the reason I felt as this—and this is what Mr. Blank said, he said, "You know, first

thing you know all the grocery stores and everybody else can go in," which is, of course, a fact. And so ADT called in their people from—I think St. Louis, Mr. Dooley, there were one or two, Mr. Blank was there, and there were, I think, at least one more man from ADT.

Page 86

Q. Was this meeting you're talking about?

A. A meeting.

Q. Where was this?

A. The meeting was—took place in the Albany Hotel Bar. And in the course of the conversation, Mr. Dooley said to me, he says, "You know, Sarah," he says, "you'd better give up that contract that you have on American Can Company." And I didn't answer him. And he says, "I'm warning you." He says, "We can make it pretty tough for you." And I said, "Oh." And I think Mr. Blank realized that Mr. Dooley was a little out of place, so he said, [fol. 4091] "Well," he said, "you know, Dooley, Sarah's had the American Can, you know, for a long, long, time—" this was the time when the American Can built a new building, and the contract that I speak of is in regards to the new location——

Q. How long had you had that contract before this meeting that you're talking about?

A. The building—the installation was not made yet, the building was under construction.

Q. Construction?

A. And I think it was—oh, I don't know, just a matter of months before the installation was made. This American Can contract—would you like me to tell you about this American Can?

Q. Well, if you think it enters into what you're trying to tell me, fine.

A. Well, I'm sure it does.

Page 87

Q. All right.

A. American Can Company was an account of ours for many, many years, as some of these others that I have related to you, we gave these watchman service, and the watchman service reverted to electric protection, and we

had an alarm installed in the old premises at the time. And then it came out in the paper, I think that's how I found out about it, that they were going to build a new building. I went down and saw them, and talked to [fol. 4092] them about new protection, they gave us the prints, we looked them over, gave them a bid, they signed the contract, the regional manager did. And I don't know, some time had elapsed, maybe six weeks or so, I got a call, our office got a call, from the American Can Company in New York. And the gentleman asked for me, I was out of town. Well, he said—no, he didn't ask for me, he asked for—I don't know whether it was the sales department—anyway, he said, "We want to cancel that contract with you on our building in Denver." And they said, "Well, I'll tell you, Mrs. Jackson handles that, she's out of town right now." I was in Washington visiting my son, who was in the service. And I got a call from my office, and they said, "We just got a call from New York and they want to cancel the American Can contract. Do you want to cancel it?" And I said, "No. Why should we?" So they said, "Well, this man said he'd call back in two weeks."

So he did call back. And he said, "Mrs. Jackson," he said, "I called your office while you were out of town, they said you

Page 88

would be back," and he said, "We want to cancel that contract." And I said, "Well, you've cancelled it, we'll be happy to cancel it. But," I said, "I'll tell you, we have more in that—more labor in that contract now than the installation calls for." "Oh," he says, "what have you done?" I said, "Well, we've done all the engineering on it, on the—in submitting the bid and furthermore, we've [fol. 4093] had lines in there." At that time, *lines in there. At that time,* lines were a little hard to procure, and so we ordered the lines immediately, and we were paying for them. "Well," he said, "I didn't know that, Mrs. Jackson, I didn't know that you had done anything on this." And he said, "That's all right."

I didn't hear anything more of it until Mr. Dooley said, "You'd better cancel that contract, and if you don't we can make it tough for you." And I don't mind telling you that

even though I—I said to myself after this conversation with that Mr. Blank had with my husband—I don't mind telling you that I have been under constant fear, and still am. And this thing, this threat, that Mr. Dooley made to me at the time just added to that.

Q. Well, let me ask you about that, if you don't mind. You kept the American Can Company contract?

A. Yes.

Q. Did you not?

A. Yes.

Q. And the discussion that you had with the American representative, New York representative, of that company after you came

Page 89

back from Washington, that was before the talk with Mr. Dooley, was it not?

A. Yes.

Q. And Mr. Dooley said in effect that he was warning [fol. 4094] you to give up—to give the contract up, right?

A. Yes.

Q. You didn't give it up, did you?

A. No.

Q. What happened after that, anything?

A. In regards to what?

Q. In regards to anything.

A. I don't know whether this '58 deal was after that or not, I think it was.

Q. Which '58 deal?

A. This man from Milwaukee coming in. But I have been in constant fear of ADT——

Q. Well——

A. I belong to the Association, we all talk about our competitors, as any other people do in any other line of business——

Q. Well, I'm interested now in not what you talked about——

A. —and we talk about what ADT are doing in Chicago and the price cutting, and we talk about the war that ADT had with the Potter Electric Company in St. Louis——

Q. When was that?

A. That was a number of years ago. And how they were just

Page 90

hanging on by the skin of their teeth. And we talk about the things that happened in Chicago in earlier years, and how they make an offer to buy and the man doesn't sell, [fol. 4095] and they go out and do everything in any way possible to get an account and finally break this man down, bring him down to his knees, and then buy him out.

Q. Do you know of any instance of that of your own knowledge?

A. And—this is——

Q. I say do you know of any instance of that of your own knowledge?

A. No. Only what—what we have talked about.

Q. All right.

A. And—and that ADT could come in here and dump two or three million in competition and we couldn't face it. We don't have that kind of money.

Q. Could I ask you a question. Do you happen to know whether you have——

A. And——

Q. Just a moment, please.

A. May I—I want to finish this.

Q. All right.

A. And from—and added to this—this conversation that Mr. Blank had with my husband, and the things that I have heard that ADT have done, have increased this fear that I have, have had and still have, and anyone in their right mind would feel the same way.

Q. How long have you had this fear?

[fol. 4096] Page 91

A. Ever since Dr. Jackson came home and told me this.

Q. Just when was that?

A. That was—I told you when it was, it was between 1939 and 1940.

Q. At the present time, do you happen to know whether you have more subscribers to protective service than ADT has here in Denver?

A. I haven't got the slightest idea.

Q. You don't know that?

A. I don't know anything about ADT's business.

Mr. Fritz: Excuse me for a moment.

(A ten-minute recess was had.)

Mr. Fritz: I think that's all.
Mr. Story: Is that all?

Examination

By Mr. Story:

Q. Mrs. Jackson, can you recall in point of time whether or not this incident where Mr. Dooley discussed your American Can account with you at this meeting, was that before or after 1958 when you said they shipped a salesman in here and started cutting prices?

Mr. Fritz: Object to the form of the question.

Q. You may answer.
A. Well, I—I think it was after—I think the salesman [fol. 4097] came in after that. But the—it seems as though there was a contract or an agreement signed between the banks and the City, that was about three years, so—and then it came up about six months ago

Page 92

again, so evidently the three years must have been up. But I can get the clipping out of the newspaper, and it was at that time, within a week or so, that this conversation took place. But if—if that agreement was a three year thing, it seems to me that I recall there was about three years—Mr. Shafroth, do you have that file? About the time?

Mr. Story: No, let's leave Mr. Sanford out of this at the moment.
The Witness: Fine, Okay.

Q. You do have a newspaper clipping on this incident?
A. Yes, I do.
Q. Would it have a date on it?
A. Yes.
Q. Would you mind attaching the clipping or a copy of it to this deposition to establish that date?
A. I'll be happy to.

(Unable to locate clipping of copy—ltr 6/11/62) line 14.

Mr. Fritz: I would like to have the clipping itself attached, not a copy. Do you have the clipping?

[fol. 4098] The Witness: Well, I have only one clipping and I would like to keep it. So I'd be happy to copy it.

Mr. Story: I think a copy would be satisfactory as far as the government is concerned.

Q. Now, when this salesman came in here, you said from Wisconsin somewhere, do you know where he came from?

Mr. Fritz: She said Milwaukee.

Page 93

A. Milwaukee. And my salesman knows this, how he knows it I don't know, but he—I don't know where he learned this.

Q. Is it possible to get his name from your——

A. The salesman's name?

Q. —from your salesman?

A. From ADT?

Q. Yes.

A. I don't know, but I think he has that, also.

Q. If he has that, would you mind submitting his name?

[Does not remember name—see ltr 6/11/62] line 9.

A. I'd be glad to.

Mr. Fritz: As part of this deposition.

Mr. Story: Yes. Oh, yes.

Q. Now, during that period of time, and I think you placed it as some time in the early part of 1958, when this salesman was here, could you give us in numbers approximately how many accounts ADT took from you during that period of time?

[fol. 4099] A. I will have to look this up and tell you.

Q. But you can find that within your records?

A. Yes.

(Line 20—see ltr 6/11/62)

Q. Well, after you have checked on this, would you mind submitting in this deposition the number of accounts that you can find that ADT took from you?

A. Yes, I will. There will be some notation there, so that I——

Mr. Fritz: The stenographer will call it to your attention.

Page 94

The Witness: Yes, all right, fine.

Mr. Fritz: So you don't have to be burdened with it now, if that's what you have in mind.

The Witness: Thank you.

* * * * * * *

[fol. 4100] A. Yes. Without interfering, if this doesn't belong in this, at this time, why, you can tell me, at this time there was a luncheon between Mr. Dooley and Mr. Blank and yourself——

Page 95

Mr. Fritz: At what time, can we get it clear?

A. During the time that—oh, when the banks were being hooked up to the City. And Mr. Dooley at that time stated—he says, "Sarah, you know, you ought to raise your prices." And I said, "Well, I think we're doing all right." "Well," he says, "we ought to get together, you know." And I said, "Well, you know, Mr. Dooley, this is against the law, this price fixing thing, and I refuse to carry on any further conversation." And Mr. Blank says, "That's right, Dooley." And I thought perhaps I'd tell you that.

Q. Well, did Mr. Dooley say anything else about these prices?

[fols. 4101-4103] A. Well, from time to time. And during this meeting at the Albany Bar, he again referred to—to our prices, and said—he says, "You can't be doing very well with the prices that you offer," he said, "It's ridiculous the prices you charge," and so forth. And I didn't answer. And Mr. Blank said to Mr. Dooley, he said, "Well," he said, "I think she's getting along all right," he said, "she drives a nice car and wears nice clothes," and so forth. And I think at this time Mr. Blank was probably trying to shut him up, because he—he was, actually, out of line. But as far as our prices were concerned, the reason they

are what they are is because of this ADT competition, and I was afraid to raise our prices because—for fear that they would call our competition, and ADT would hop right on and accept it for whatever low price, if it was a low price. And so we have been laboring under this substandard cost of service because of this fear that I have.

* * * * * * *

[fol. 4104] Q. Let me ask you, did you have any of the banks protected at that time?

A. No.

Q. What interest did you have in this matter?

A. Only that ADT said, "We ought to get together because pretty soon they'll be taking all of the business," and so forth. And I said, "Well, I—I have nothing to do with it, this is all your business, but I'll be glad to participate if I can help any."

Q. Now, at that time did the Police Department allow any burglar alarms directly connected to the Police Department?

A. No.

Q. Let me ask you this: At any time have any of these banks that you have just mentioned ever asked you to bid on the protection service for any of these banks?

A. Yes.

Q. What bank was that?

A. The—the First National—no, it was the U.S. National, pardon me, the U.S. National.

Q. The U.S. Was that one of the banks that was participating——

A. Yes.

Q. —in the City Council meeting?

A. Yes.

Q. Did you bid on a protection account for this bank?

A. No, I didn't.

[fol. 4105] Page 99

Q. Did you talk to anybody concerning this request that your company bid?

A. Yes. They called and asked for a bid, and I went down to talk to the gentleman, and I told him that it was not our custom to—to solicit accounts of ADT, and that

I didn't know whether we would want to bid on it or not, but I would have to give it some thought, and I would let him know. And I gave it a lot of thought, and I decided that I couldn't afford to have a war with ADT and that I would not give a bid, which we didn't. We did not submit a bid.

Q. What was the occasion of this request for the bid, Mrs. Jackson?

A. That they were moving, this was to another building, a new building.

Q. And ADT had the account at the old building?

A. Yes.

Q. Well, why didn't you bid on this particular account?

(In pencil: Self-serving declarations and conclusions unsupported by facts)

A. Well, because of this fear that I have.

Q. Do you know who you talked to down at this bank?

A. I don't recall the name, but I think we could find out, because he shortly after that went with Diebold.

[fols. 4106-4108] Q. He switched——

A. We might even have it in our files.

Q. Why did he want to bid on this account, Mrs. Jackson?

Mr. Fritz: Object to the form of the question.

Page 100

A. Oh——

Q. Go ahead and answer it.

A. It might be—he might have just wanted us to bid in order to cut down—just use my bid against ADT's bid. I don't know, this is just—just a guess.

Q. Well, was this a large bank?

A. Yes.

Q. And you refused to submit a bid?

A. Yes.

Q. And it's for the reason you've just stated?

A. That's right. No other.

* * * * * * *

[fol. 4109] Q. Mrs. Jackson, has ADT ever talked to you or approached you concerning your solicitation of their subscribers?

A. Yes. During these meetings, this second meeting with—on this City business, my—there was some conversation about soliciting ADT accounts. And I said, "We never solicit your accounts and our salesmen have strict orders not to do this." So shortly after this thing passed, I received a call from Mr. Brown, who is now in charge of the ADT office here in Denver. He says, "You know, Sarah, we thought we had you." And I said, "What do you mean?" "Well," he said, "we thought you were soliciting our accounts, and we had a man out of St. Louis check you, but he said you weren't, we checked it out," he [fol. 4110] said, "it checked out okay." That was all that telephone call amounted to.

Q. About when was that, Mrs. Jackson?

A. Oh, it might have been a year ago or so. It was after this City Council meeting.

Q. The first or the second one?

A. The second, after the second.

Q. Does your company solicit ADT accounts today?

A. No.

Q. Why don't they solicit ADT accounts today?

A. We just can't afford to have a war with ADT, and so we just—

Page 104

just stayed clear.

Q. Is that the instructions that you have given to your salesmen?

A. That's right.

Q. And they're operating under those instructions right now?

A. Yes, absolutely.

Q. When the official of this bank requested you to bid, and you told him that you wouldn't bid on an ADT account, did he make any comment or make any statements to you?

A. Well, other than he wished that we would submit a bid, I can't recall anything right now.

Q. Did you give him any reason why you wouldn't submit a bid?

A. Oh, yes, I told him that we just—we're not competing [fols. 4111-4112] with ADT on their account, we didn't solicit their business, and we—it was something we just

didn't do, and didn't think we should, and so we didn't. He knew why, yes.

* * * * * * *

[fol. 4113] Q. Mrs. Jackson, has your company had any general price increases in its service charges within the last—well, since you've been in business?

A. Twice.

Q. When were those——

A. When we took over the Denver Burglar Alarm Company, we raised them five per cent. And then—and that was in 1943. And then—and I can't tell you, it's been some time now, we raised our accounts twice, ten per cent, but it's been in the last many years, I don't know, ten years or so.

Q. Now, let's see if I understand——

Mr. Fritz: Excuse me—all right, you can go ahead.

Q. Let me see if I understand you. Have you had one ten per cent increase or two?

A. We have had two.

Page 111

Q. Ten per cent increase?

[fol. 4114] A. In about the last ten or twelve years or so.

Q. And that's in addition to the one in 1943?

A. Yeah. I tried to look that up in our ledgers for the past years, the ledgers in our past years don't show it, so it was quite awhile ago.

Q. Has your labor cost and material cost gone up during that period of time?

A. Yes. About——

Q. Could you give us any idea or approximation of how much it's gone up?

A. Well, we used to hire men for $35 a week, and now—that was about ten years ago, eight years ago, now we—they work a few weeks for $75, and then the fourth week they go to $80, and by the time they've been with us nine months, they are increased to between 95, 97.50, or $100. This is—not only has that happened, but we were on a six-day week, and we have gone to a five-day week without—without increasing our prices, or cutting the man's

wages, so he actually receives six days' pay for five days' work. And then the cost of material, some—this has increased five and six times. Batteries used to be 21 cents, they are 78 cents now, 72 and 78 cents.

Q. Well, Mrs. Jackson, why haven't you increased your prices for your services?

A. Well, as I stated before, I can't afford to lose an account

[fol. 4115] Page 112

and I can't—and I can't take a chance on—on having ADT come on in and take advantage of this situation. It all reverts back to this threat, threatening——

Mr. Fritz: The ones you've told us about.

The Witness: Yes.

A. (Continuing) And the fear that has been established, that I really ought to get rid of.

* * * * * * *

[fol. 4116] Q. Now, on these prices that you have, does your company employ some kind of a formula whereby you can arrive at a price that you should charge subscribers?

A. No. We don't have a formula. It just—we survey it and see how much labor is involved, how long it will take to do the job, the type of service, the distance as far as the line costs are concerned, and the type of business, depending upon how much service there will be involved in this type of operation.

Q. Well, does your company consider a number of items at arriving at these prices?

A. Yes. A door, depending upon the type of door, whether it's laced or paneled or just contacted.

Q. Well, do you have some prescribed fromula whereby you take these items in consideration when arriving at your price?

A. Well, that's how we arrive at it, the type of equipment and the amount of protection.

Q. Mrs. Jackson, have you ever bid on a protection service for the Ralston Purina Mills?

A. We received a call from our associate member in St. Louis, and he said, "We have had a request from the Purina

people to—for service," and he said, "They want to know—
[fol. 4117] they wanted us to give them the names of the independent companies in the various cities that they operated," and he said, "I have given them your name, and you will be receiving a call from Ralston Purina, and when they do call you, go on over and give them a bid." Which we did.

Page 114

Q. When was that, Mrs. Jackson?

A. I don't have that date. I'll be glad to supply it.

Q. Well, has it been two years ago, or five years ago, could you give us some approximate——

A. I would say it was—it was closer to five than two.

Q. Well, did you bid on this account?

A. Yes, we did.

Q. Who handled this account in your company?

A. Mr. Milo.

Q. And what is his position with your company?

A. He's in charge of sales.

Q. Well, what happened in the Purina case?

A. I don't know exactly. But from conversation with the Potter Company, it seems as though ADT raised their rates so high that the Purina people felt it was excessive and decided to see what they could do about it.

Q. Did you get the account?

A. Yes, we did.

[fol. 4118] Q. What kind of protection did you furnish?

A. Fire alarm, sprinkler supervisory service, and a water flow.

* * * * * * *

Q. You mentioned in your direct examination having an account with the Safeway Distribution Center.

A. Yes. When the Safeway Company were—contemplated building the distribution center, it came out in the paper, and I went to see the people in charge of bids, and asked if I might bid on it, and they said yes, they'd be happy to let us bid, which we did. And the man in charge, or the man that I had been speaking to about the bids, he said, "You know, Mrs. Jackson, it looks pretty good for you, I'll be notifying you in a few days, we will——"

Q. Who was this gentleman?

A. I don't know. We have his name in our files. And——

[L. B. Patterson. See ltr 6/11/62] Line 15

Q. Would you obtain that name and submit it to the court reporter?

[fol. 4119] A. Well, I hope we have it, we should have it. And he said, "Mrs. Jackson, I'm awfully sorry to tell you this," he said, "your price was very good," he said, "I haven't the slightest idea why this happened, but," he said, "they went over our heads in Oakland," which is the home office of Safeway, and he said, "They have the contract for the fire alarm service." And I said, "Well, thanks." Then about a year and a half ago, or perhaps a few months less than that, I received a call from a Mr. Patterson who was in charge of security, I believe, for the Safeway people——

Mr. Shafroth: Mr. Patrick, wasn't it?

Page 116

The Witness: Patrick.

Mr. Shafroth: Excuse me.

The Witness: I think it was Patterson. Is it Patrick? It might be Patrick.

A. (Continuing) Well, anyway, he said—he said, "Are you the young lady that bid on this building when we were under construction?" And I said, "Yes." He said, "Well, you know, I've been looking all over for you." He said, "Would you be willing to bid again?" And I said, "Well, you have a huge installation out there now." And he said, "Yes, but we—we're going to change, and," he said, "I'd appreciate it very much if you would bid." And well, I said, "Are you determined to change?" He said, "Yes, we are." And I said, "Well, our bid would be the same, if you have it." And he said—he said, "I'm not sure [fol. 4120] that we have." I looked it up. I said, "Well, I have it." So I went over and talked to him at his request, and we bid on it. And he said, "You know, we just can't afford to stay with ADT," he said, "they've really raised this thing." I don't know how much they raised it. And we now have a ten-year contract with the Safeway.

Q. That's one of your ten-year contracts?

A. Right.

Q. Now, do you know whether or not when you were asked to bid the second time, was that at the end of a contract period with ADT?

Page 117

A. That was the end of the five year—of their five-year contract. He said that, "Their contract is up, the five-year contract is up." And that's when they raised them.

Q. When did you get that account, Mrs. Jackson?

A. It's been a little over a year. The reason I say that is because we are rebilling them now, they pay by the year, and we are rebilling them now for another year. And so we must have gotten the contract a few months before—a couple months before the installation, or something like that, and then it took awhile to make the installation, so I say it's in the vicinity of a year and a half.

Q. Did you ascertain from Safeway, the Safeway offi- [fol. 4121] cial—strike that. Could you give us any idea as to the size of installation that was required for this Safeway Distribution Center?

Mr. Fritz: You mean money-wise?

A. Well, I don't know how many devices are involved, and that is how—that's how you gauge the size of a job, by how many devices——

Q. Could you give us any idea about the extent of the installation charge?

A. Yes. The extent of the installation charge at the time was—was around $6,000 for the installation.

Q. And ADT took its installation out, is that correct?

A. Yes, they did.

Q. That was prior to the time you put your installation in?

Page 118

A. Yes.

Q. As I understand it, you had this account for a period —strike that. As I understand it, ADT had this account for a period of one contract year?

A. No, they had it for five years.

Q. On a five-year contract.

A. Yes.

Q. Mrs. Jackson, did you ever have any protection contracts with McKesson Robbins Drug Company?

A. Yes.

[fol. 4122] Q. Do you know when you first obtained your first contract with this company?

A. Oh, many, many years ago.

Q. What type of alarm did you have there?

A. We had a local alarm first, and then we had a central station alarm.

Q. Why did you change from a local alarm system to a central station system?

A. Well, we had a very bad experience. Someone, it seems—we don't know this, but we think someone hid in the building and shorted out the wires and——

Q. On what type of an alarm system?

A. Local alarm.

Q. Local alarm.

A. Yes.

Page 119

Q. And what were you protecting in particular?

A. We were—we were protecting the perimeter, which are the doors and windows, and then we were protecting the vault, narcotics vault.

Q. The narcotics vault. Now, will you continue?

A. Yes. And the wires were shorted out, it seems as though they had gotten in a larger shipment of narcotics, and everything was gone except I think a mild form of—something like aspirin. So this was on a Sunday when they [fol. 4123] discovered it, it happened on a Saturday night, anyway between Friday and Sunday morning. And they called, and I went down. And the Narcotics Division said that until this building is protected properly and with certification, why, they would not allow McKesson Robbins another shipment of narcotics——

Q. When you say "narcotics people" who do you mean, Mrs. Jackson?

A. I mean the Federal Narcotics.

Q. Oh, he was there on Sunday morning when you arrived?

A. Yeah, he was there.

Q. Was anybody else there?

A. Oh, yes, there—the Police Department was there, and McKesson Robbins people were there, and the Narcotics Division was there.

Q. Well, did the—did anyone discuss the type of protection

Page 120

system that you had installed with you?

A. Yes. It was a very embarrassing situation, but—and they asked me how come that this could be done, and I said, "Well, this original installation cost $60, and that's—you can't do too much for $60," and that I had been in there recently trying to sell them an individual alarm for their narcotics vault, because they had called us and told us to come and put a contact on the narcotic—it wasn't a vault, [fol. 4124] it was just a closet, sort of a room, about half this size—to put a contact on the door. And the reason I know all about this, because I was doing all the selling and covering in on all the complaints, and so forth, at the time. And at that time, I said, "You should have a central station alarm and this vault should be wired separately." And—well, he said, "No, we don't want to go into that right now," and so on and so forth. And so at least I had this to say when the narcotics man said, "How is it that you have a flimsy wiring job in here."

Q. In other words, you told that to the narcotics man?

A. Yes.

Q. On a Sunday morning?

A. Yes, I did. And immediateily, the McKesson people said, "Well, we'll take care of that right now." And a few months later we talked about wiring the vault and what to do to—for them to get a certification on it, and so forth. And we worked around the clock, it took us about four or five days to—to line the vault with material and wire it, and then cover it again, and get the

Page 121

lines installed, and so forth. And the narcotics people called and said, "Is it finished yet," they called every day. And finally when it was finished, they allowed them to—shipment of narcotics.

[fol. 4125] Q. What kind of system did you put in the second time?

A. A central station.

Q. Was it a certificated system?

A. Certificated system, yes.

Q. It's my understanding that the narcotics people told McKesson and Robbins they could not receive any further narcotics until this had taken place?

A. Right.

Q. Do you still have McKesson and Robbins?

A. No. They built a new building, and this is one of the places of business that said, "I'm sorry, they're doing all their business with ADT, and we just can't accept your bid."

Q. They would not accept a bid from your company?

A. They said they were doing business with ADT. And the regional manager was very disturbed about it, and he called me personally, and he said, "Sarah, I'm sorry about this." And I said, "Well, ADT is a fine company, I'm sure they'll give you good service." And he said, "Well, I don't know about that." He said, "I feel very badly about it, and——

Q. That was the local manager of McKesson?

A. Uh-huh, yes.

Q. Well, did he tell you who was handling the account for

McKesson and Robbins here in Denver?

[fol. 4126] A. No.

Q. Was it handled in this city?

A. No, it wasn't handled here. He didn't have anything to do with it. So it must have been handled——

Q. Well, how did——

A. —in the McKesson office, wherever it happens to be, with the ADT people, because it was out of his hands.

Q. In other words, he couldn't contract for protection service here?

A. No.

Q. Had you received any complaints on your central station protective service——

A. No.

Q. —furnished to McKesson and Robbins?

A. Oh, no. And we still have them in their liquor division, which is another building.

Q. And that's the same location that you've had for some time?

A. Yes.

Q. Mrs. Jackson, is your central station operation inspected or checked by any organizations today?

A. Yes. We are approved by the Underwriters Laboratory, and they inspect our operation, forms, procedures, once and sometimes twice a year.

Q. You say they check. Would you tell us in a little more

[fol. 4127] Page 123

detail what they look for and what they inspect when they come here?

A. Yes. They come in to town, and we don't know that they're here, and they notify the Police Department that they are going to cause alarms to sound. And we have jacks in various parts of the City, at their request, and they have this list, and they come in to town and insert a jack which causes a short in the alarm and we get a signal in our office. This signal comes in as if someone broke in. So we notify the Police Department and we respond, and they—they check the time it takes us to get there, and the procedure we follow after we get there, the way the man conducts himself, how he goes about checking the building, and even as to his attire, if he has a cap and badge, if he's in uniform, does he have a gun, and so forth. And then after that, he calls sometimes and he tells us that—well, he doesn't always tell the guard that he's an Underwriter's man, we sometimes don't even know. But then they'll call in and say, "I'm in town," or maybe they just come on over, don't even—and say, "We want to check the books" and so forth, and they do, they stay three or four days going over the past three months, and then the distance or the soundings, and the time that it took us to respond, and they write this all down, and then they take an aver-

[fol. 4128] age, and the average must be under a certain amount of time in order to meet the requirements. That's the reason that this GEM is a B grade alarm rather than A, because it's farther from the central station than we can get

Page 124

there within the B—or the A allotted time, which is ten minutes.

Q. Now, on your central station fire alarm service, could you give us any percentage of your accounts which is inspected by the fire rating bureaus after it has been installed?

A. The fire alarms?

Q. Yes.

A. All but maybe two or three, and I'm not sure that all of them are not, because they all have individual, you know, insurance policies, and some of them are—are Factory Mutual, and some of them are FIA, and so forth. But they inspect and send in an alarm, they call us first and tell us that they're going to inspect the system and send in an alarm, and they send us a signal from every device, and then they try to confuse them and they say they're going to test one and then they test another, and then they call the operator and say, "What kind of signal did you get," and so—to see whether our operator knows, whether he can read the signals properly, and whether he's on his toes and really got the signal.

Q. What happens if your company doesn't measure up [fol. 4129] to their standards?

A. They couldn't install the fire alarm systems.

Q. Why couldn't they?

A. They wouldn't allow a system to be installed by a company that isn't accredited. Because—the reason that people have their—an automatic fire alarm installed, which is very expensive,

Page 125

or a sprinkler supervised, so that they can get the discounts and get a—discounts on their premium.

Q. Is it possible for a company to lose its license or its approval in the event that you don't measure up to their standards?

A. It certainly is.

Q. What would happen to your business in the event that you lost your approval of these organizations?

A. Well, I'd—I don't think we could stay in business.

Page 130

Q. How many of your central station protection accounts, say in the last year, have asked you to discontinue that service and install a local alarm system on the same premises?

A. Well, this is very rare, unless a man's going broke, or something like that, and just cannot pay. This is just a matter of cutting expenses, and—and if this is the case, generally, if they do stay in business, they go back to the central station.

Mr. Fritz: How often does that happen, was the question.

[fol. 4130] Q. Say in the last five years?

A. In the last five years, how many? I don't know, probably not more than a dozen.

Q. Now, how many of your local subscribers have you converted

Page 131

into central station protection subscribers, say in the last year?

A. Oh, 25, anyway.

Q. And the year before?

A. Oh, I don't know, I imagine the same. We make conversions all the time.

Q. Does the American District Telegraph Company engage in a local alarm business here in Denver?

A. Yes, they do.

Q. How long have they been engaging in the local alarm business here in Denver?

A. Oh, a year, year and a half, maybe two years.

Q. Prior to a year and a half ago, did the American District Telegraph Company engage in the local alarm business?

A. No. It's a recent thing.

Page 135

Q. Mrs. Jackson, taking one of your average size central station burglar alarm systems, in the event that the subscriber wanted to discontinue that service at the end of, say, a five-year period, could you give us any idea as to the salvage value of your system to your company in re-

[fol. 4131] lation to what the original installation cost would be?

A. Probably none, no salvage. You might—you might take off the control box, but after five years, you would have to rewire it and repaint it, and so forth—that's about all.

Q. Well, could you give us that in the way of percentage, how much would the control box cost in the entire installation charge?

A. Well, our control boxes at the present time cost $35.

Q. Would you give us some kind of an estimate——

A. It would take us—it would take $15 to rewire it and paint it again, and so forth, if you're talking just about the control box.

Q. Well, could you give us some kind of a percentage, based on your experience, as to what your company could realize out of this alarm system if you take it out?

A. Oh——

Q. Based on what it originally cost the subscriber?

A. Oh, I don't know, two or three per cent. Because your labor is gone. This is a great part of the—the greatest—the greater

Page 136

part of the installation, and the—with what salvage you could get, I would say maybe two or three percent.

Q. Are you considering also at the same time the labor required to remove this system?

A. No, I'm not—if you take into consideration the labor, [fol. 4132] you're at a loss. And sometimes I wonder why we remove them.

Q. What about your central station fire alarm system, is that any different from your burglar alarm system?

A. No, not much different.

Q. Would you say, based on your experience, that you would have more of a salvage value out of a fire alarm system or a burglar alarm system?

A. You might have a little more salvage out of a fire alarm system, because you have more devices.

Q. Could you give us an educated guess as to what percentage that would run?

A. Oh, I don't know, maybe that would be ten per cent or so.

But when you—then when you consider the removal, the labor of removing it, you see, I don't know, it's a toss-up, really, whether there's any salvage or not. I don't think there is any.

Q. Are you required, once you remove any of these devices from an alarm system, to reconstitute or recheck these devices before you install them again?

A. Oh, yes.

Q. Where is that work done?

Page 137

A. Well, we farm it out, mostly, or we send some of it back to the factory depending upon what kind of equipment. The control box for a local alarm, we take the [fol. 4133] inside movements out and send the box out and have it repainted, new signs put on, and then we—most of the time put in new parts, new switches, and so forth. And labor is so—getting so expensive now that it really isn't worthwhile going out after the equipment.

Page 139

Q. Mrs. Jackson, from a strictly protection of property standpoint, would you tell us the advantages that central station has over local alarm protection, if any?

A. Well, I think the difference is so great compared to the services rendered with a central station alarm, that they're not really in the same class. First of all, local alarm, the responsibility of setting up that alarm, testing it, to see that it's operating, and so forth, is on the customer, because a local alarm, we don't know anything about it, we don't know if the batteries are dead, if something is broken, if the man's tested it, if the bell's stuck, or—all these things happen to local alarm. With a central station alarm, we not only know that the alarm is in

Page 140

operation, but we also keep track of the opening, closing, coming in after hours, identifying the people that have been on the premises, and so forth. And the discounts

are much greater with a central station alarm, if it's a certificated alarm.

Q. You had a lot of experience with watchman, because you ran a watchman company for several years. Could [fol. 4134] you give us any advantages that central station might have over a watchman stationed on a premises during the closed period?

A. Well, first of all, the cost—nowadays anyway—is almost prohibitive.

Q. For what?

A. For a watchman. Secondly, with a watchman, you have the human element, no matter how good the man might be, he might make all of his calls, and so forth, but he could have a heart attack, someone could hit him over the head, he could fall asleep—and they generally do—and all the things that a human is subject to, why, a watchman is subject to. And when he's at one side—end of the building, the other end isn't being protected. So it's just partial protection, no matter how you figure it. There isn't any comparison between the two services.

Q. Now, what about your central station protection service? Does that protect the entire premises at all times?

A. Well, it protects whatever is required. There may be only a part of a building that's protected. But if that part is wired, that is protected.

Page 141

Q. Let me ask you this, Mrs. Jackson: Are your fire alarm systems which are connected to your central station, are they in operation during the open periods of businesses?

[fol. 4135] A. 24 hours a day.

(Short pause.)

(Discussion followed off the record.)

A. (Continuing.) I might add, I don't know whether you want that on the record now, but a fire alarm, if a sprinkler goes into trouble and it has to be repaired, the—insurance people—and it's in the policy that the man has on his fire insurance—that while this sprinkler is out of service, a guard must be placed on the premises until that sprinkler has been repaired, and for 12 hours after it has

been repaired. So that's how important central station supervisory services are in regards to fire alarms.

Q. Where does your company obtain those guards in the event that that's happened to your company since you've been out of the guard——

A. We generally pull them out of our installers or servicemen or runners.

Q. You use some of your own personnel?

A. Yes, we do.

Q. To stand guard service in those instances?

A. Yes, we do.

Q. Now, to make sure that I understand you, outside of the banks whose burglar alarms are connected to the Police Department

Page 142

here, are there any other alarms, burglar alarms, connected [fol. 4136] to the Police Department?

A. There might be some City-owned buildings, or—like the Mint, for instance, or City Hall, I know that the Traffic Division has an alarm, I don't happen to have this business, but I do know——

Q. What about commercial, what about commercial accounts?

A. I don't know, I don't know other than the banks.

Q. Mrs. Jackson, could you give us any information concerning the size of businesses which use your local systems and the size of the business that use your central station protection service?

A. Well, a local alarm, these people are generally little merchants, little grocery stores, drug stores, and just—secondhand stores, that sort of thing.

Q. What about your central station subscribers, what classification would they fall in?

A. Well, they fall into retail establishments, such as department stores, warehouses, manufacturing plants, that sort of thing, fur stores, jewelry stores, and liquor stores, wholesale liquors and so forth.

Page 153

Q. Thank you. Now you several times during the course of your examination, if not more, have referred to the—what

called "this fear." I wish you'd be specific and tell me [fols. 4137-4141] what that fear is that you've had.

A. I have told you what——

Q. Is it a business fear?

A. —it was. I think it's a business fear, yes. If you were afraid to raise your prices for fear ADT would take advantage of your situation, and move right in and spend a lot of money taking over a place of business, and he comes in and he says, "Look, I'll offer so and so and so and so," no installation, and sometimes several months' free service, and so forth, we can't compete with that.

Q. That is the fear, though, that's what I'm trying to get at.

A. That's the fear.

Q. Is that it?

A. That's the fear.

Q. All right.

A. I haven't referred to any other type of fear.

Q. Have you ever submitted any quotations to customers in which you have agreed to make a free installation?

A. Yes. That's the only way we can get the business.

Q. How often do you do that?

A. Not too often.

Q. But you've done it on a number of occasions, have you not?

A. Sure we have.

* * * * * * *

[fol. 4142] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 334

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY, AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of EDWARD J. LAVINO, Sentinel Corporation, 10th & Vine Streets, Philadelphia, Pennsylvania.

Page 6

By Mr. Story:

Q. Mr. Lavino, would you state your full name for the record?
A. Edward Joseph Lavino, II.
Q. What is your home address?

* * * * * * *

[fol. 4143] A. My home address? Gravers Lane, Flourtown Avenue, Philadelphia 18.

By Mr. Story:

Q. Pennsylvania?
A. Pennsylvania.
Q. What is your present employment, sir?
A. I am president of Sentinel Alarm Corporation.

Page 7

Q. And briefly, what are your duties with that company?
A. The overall supervision of the company and chief fiscal officer, of course.

Q. What is the address?
A. I am also chairman of the Board.
Q. What is the address of your company, sir.
A. Tenth and Vine Streets, Philadelphia, 7.

Page 8

Q. What is the nature of your company's business, sir?
A. Central station protective service.
Q. When did your company enter the central station [fol. 4144] protection business?
A. When we got approval on our station.
Q. When was that, sir?
A. The various approvals were granted; Middle Department was May 4, 1960; Factory Mutual, September 21, 1960; Underwriters' Laboratory was August 26, 1960; and Fire Insurance Rating Association of New Jersey, July 27, 1960. That is the extent of our aprpovals.
Q. How long have you been associated with this company, sir?
A. Since March of 1959 the company was formed.
Q. In other words, you have been with the company since it was established?
A. Correct.
Q. Would you briefly describe for us, sir, what your duties are as president and treasurer of the company?
A. I set overall policy. I am in constant touch and get reports from our sales department. It is reported to

Page 9

me the activities in the field. Of course, the inventory, salaries—in general, just about all facets of the business.
Q. Sir, have you at any time engaged in the sales activities personally, as far as your company is concerned? [fol. 4145] A. Yes, I have.
Q. At the present time, what types of central station protection service does your company render?
A. Oh, night watch, automatic fire alarm.
Q. Just a moment, sir.
A. Night watch compulsory tour, manual fire alarm stations, automatic fire alarm, sprinkler supervisory, water flow, burglary in all instances, which would be holdup, vault alarm, premise alarms.

Q. Does your company do any protection service which is generally referred to as industrial process supervision?
A. Oh, yes, of course, that, also. I forgot to mention it. Boiler supervision, and so forth.

Page 12

Q. Mr. Lavino, have you prepared at my request a list showing the volume of your central station protection business?
A. Yes, I have.
Q. Could I see a copy of the list, sir?
A. There are three copies.

Mr. Story: Miss Reporter, would you mark this Government's Exhibit 1 in connection with this deposition.

[fol. 4146] (The above-referred to document was marked Government Exhibit Number G-1 for identification.)

By Mr. Story:

Q. Mr. Lavino, would you take what has been marked as Government's Exhibit 1 and explain for the record what information you have placed on that exhibit and how it was broken down in connection with that exhibit?
A. This represents the revenue on an annualized basis at the close of each of the years referred to here on this list since we have been in business, which is 1960 and 1961, and it is broken down by the types of service

Page 13

that we have.
Industrial process control or industrial supervision—as we term it—is included with sprinkler supervisory and water flow.
Q. Does your company have any holdup alarms?
A. Yes, sir, it does, and that is included on the burglar alarms.

Mr. Garabino: Do you think it might be well, so that the record reads more clearly, to explain what the abbreviations mean?
[fol. 4147] I know you have been through this about eighty times.

By Mr. Story:

Q. Would you describe for the record sir, what the various initials are there?

A. Well, the "NW" means "Night Watch," and "FA" means "Fire Alarm." That would be a manual fire alarm station.

Q. In connection with the night watch supervised tour?

A. Correct.

"BA" Burglar Alarms.

Automatic fire alarms in the "AFA" classification.

And sprinkler supervisory and water flow is the last category.

Page 14

Mr. Lavino, does your company have any competition in the central station protection business here in Philadelphia?

A. It certainly does.

Q. Would you name them for us, sir?

A. There is the Holmes Company, Automatic Fire Alarm Company, the Robinson Protective Alarm Company—I believe the name is now—the Owl Protective Service.

Q. Did you mention the American District Telegraph Company?

[fol. 4148] Mr. Williams: No, he didn't mention the American District Telegraph Company.

A. No, I did not mention it because I believe you said "Philadelphia."

In the Philadelphia area we are in competition with American District Telegraph both here and in the Philadelphia area, and in the suburbs of Philadelphia with American District Telegraph, and over in New Jersey in the Trenton area—excuse me, the Camden area—with American District Telegraph, who has a central station over there.

Q. Could you tell us what types of central protection service the Holmes Electric Protective Company performs here in the Philadelphia area?

Page 15

Mr. Williams: If you know, Mr. Lavino.

Mr. Garabino: Excuse me a minute.

When you say "Philadelphia area," what do you mean by that?

Mr. Story: I mean within the range of the central stations. In other words, the built-up area of Philadelphia. [fol. 4149] Mr. Garabino: It might be well for Mr. Lavino to say where his company does business and then if that gibes with the Philadelphia area, we all will know we are talking about the same thing.

Will you state for the record where your company does business?

The Witness: Our company does business in approximately a thirty-mile radius of our central station which is located at Tenth and Vine Street.

Page 22

Q. Mr. Lavino, for what peirod of time do you write your central station protection contracts?

A. Five years.

Q. Do you have any contracts at the present time which have been written for periods less than five years?

A. If there are any it would be extremely minor. It would be an extenuating circumstance. Maybe one or two out of a total of two hundred and fifty or two hundred, somewheres in that area.

Page 23

Q. What is your company's policy, sir, concerning the period of time for which your company writes central staton protective service contracts?

[fol. 4150] A. We feel we need a five-year contract in order to make a reasonable profit, if possible, under the circumstances here in Philadelphia. We need five years to contract in order to recover our investment.

Page 25

Q. Mr. Lavino, from whom does your company purchase the devices and various items of equipment which you use in your central station protection operation?

A. A number of suppliers: Potter Electric Signal in St. Louis, Ademco, Kidde.

Q. Just a moment, sir. Ademco, where is that located?

A. I believe that is in New York or Long Island. It is in that general vicinity.

Alarm Devices Manufacturing Company is what I believe it stands for.

Q. You mentioned the Kidde Company?

A. The Kidde Company.

Q. Where is that located, sir?

A. It escapes me at the moment.

Q. Do you have any other suppliers?

Page 26

A. Yes.

Acme Fire Alarm in New York, Central Station Signals occasionally.

[fols. 4151-4152] Q. Where are they located, sir?

A. In New York.

And then the other, the wire and conduit, which we pick up from local suppliers.

* * * * * * *

[fol. 4153] Q. Mr. Lavino, does your company retain title to the protection systems which are installed on your subscribers' premises?

A. Yes, we do.

Q. Has that always been the policy of your company?

A. That is correct.

Page 34

Q. What is your company's policy concerning the time of payment of the installation charges on your central station protection systems?

A. The installation charge is yearly in advance, or at the completion of it as soon as the system goes into service. That is the policy.

Q. What is your company's policy concerning the payment of your annual or monthly service charges?

A. Annual service charges, the policy is to have it annually in advance. That would be on a fire alarm and on a burglar alarm, which is usually billed on a monthly basis. That would be monthly in advance of the service.

Q. Has your company made any exceptions to your poli-

cies concerning the payment of your installation

Page 35

charges?

[fol. 4154] A. Yes, sir.

Q. Would you tell us about that sir?

A. In a great number of instances the installation charge has been amortized over the five-year period.

We reluctantly agree to do that mainly due to the competitive situation where our competition offers to do it and if we want the job we have to do the same thing.

There have been a couple of instances where the installation charge has been waived on a new job and we have had to meet that waiving of the installation charge if we want the job.

Q. Now, sir, why is it your company's policy to seek payment of the installation charge at the time the installation is completed?

A. Well, the installation charge does not reimburse you for it or come close to reimbursing you for the cost of putting the job in.

Even with the first year's annual service in advance, paid at the same time as you receive the installation charge, you are still behind rather substantially financially.

Q. Mr. Lavino, would you tell us how many of your

[fols. 4155-4157] Page 36

central station burglar alarms have been issued Underwriters' Laboratory certificates by your company?

A. Yes, sir.

Mr. Garbarino: Was that burglar?

Mr. Story: Burglar alarms.

A. Twenty-eight.

By Mr. Story:

Q. Now, sir, could you tell me how many of your central station fire alarm systems have been approved by the various insurance organizations having jurisdiction?

A. All. Yes, all.

Q. Sir, how do you know that they have all been ap-

proved by some insurance organization having jurisdiction over the various types of services?

A. Because we cannot bill the customer for the service or installation charge, if we get it, until the certificate is issued and it is approved and in service, and therefore the customer will realize the benefits, if any, and in most cases there are benefits from having the service.

• • • • • • •

[fol. 4158] Q. Mr. Lavino, does your company have an established price list or a price formula by which you calculate your installation charges in your annual service charges?

A. No, we do not.

Mr. Garbarino: You mean by that you have neither? You don't have a price list, as I understood the question.

The Witness: No. Each job is figured separately.

By Mr. Story:

Q. Do you have certain estimating charts or guides that assist you in arriving at those prices?

A. Yes. The economic situation of each job, what your total costs are to put it in, how much it is going to cost you to maintain it, how fast you might get your capital back—they are taken into consideration, along with what the general market situation or competitive situation is here in Philadelphia.

Q. Now, sir, with that in mind, has your company [fol. 4159] instituted any general price increases?

A. No, sir.

Page 40

Q. Since you have been in business?

A. No, sir.

Q. Has your cost of operation gone up?

A. Yes, sir.

Q. Could you give us any idea as to how much it has increased in the past two years?

A. At least ten per cent.

Q. Is there any reason why your company has not instituted any price increases for its services?

A. Yes, sir.

Q. What is that reason?

A. We would price ourselves right out of the market. We would not get any jobs.

Q. Why wouldn't you get any jobs, sir?

A. Because others would underbid us, we feel, to the best of our knowledge.

Q. Now, Mr. Lavino, have you established any of your alarm systems in premises which were previously serviced by any of your central station protection competitors?

A. Yes, sir.

Q. Has this occurred often, or how many times, [fol. 4160] approximately, has this happened, generally?

A. I would say somewheres in the area of fifteen to twenty per cent of our revenue has been derived from what

Page 41

we would call a takeover. In other words, taking over the service from one of our competitors who had it before.

Page 66

Q. Mr. Lavino, since you have been in the central

Page 67

station protection business, have any of your central station burglar alarm subscribers ever asked you to discontinue central station burglar alarm service and thereafter employed a local burglar alarm for its protection services?

A. No, sir, not to my knowledge.

Q. Since you have been in the central station protection business, do you have any central station burglar alarm subscribers now which formerly had local burglar alarm service?

A. Yes, sir.

Q. Do you know how many?

A. In the range of twenty to twenty-five. They are mainly banks in the suburban areas.

Q. Now, sir, since you have been in the central station protection business, have any of your central station [fol. 4161] subscribers—either fire or burglary—discontinued your central station service and thereafter em-

ployed the services of watchmen to protect the premises?

A. No, sir.

Q. Since you have been in the central station protection business, have any of your central station subscribers discontinued central station protection service and connected their alarm systems to the Fire or Police

Page 68

Department in the various localities?

A. Not to my knowledge.

Q. Since you have been in the central station protection business, have any of your central station fire alarm subscribers discontinued central station service and utilized an auxiliary fire alarm system to protect their premises?

A. No, sir.

Mr. Garbarino: I presume you mean by "auxiliary," the same thing you meant earlier in the deposition? There was some question about it.

The Witness: You mean a proprietary system?

Mr. Story: No.

By Mr. Story:

[fol. 4162] Q. I mean an auxiliary system which goes over, connecting the alarm to the gamewell or the City fire telegraphic system.

A. No, no.

Page 72

Q. Mr. Lavino, at any time since you decided to go into the central station protection business, have you at any time met with any of the representatives of the American District Telegraph Company or the Holmes Electric Protection Company or the Automatic Fire Alarm Company?

Page 73

A. Yes, sir. I had a visit very early in the game just after I had applied for a franchise.

Q. When was that, sir?

A. Approximately March, 1959.

Q. With relation to this date, when you applied for a

franchise how long after that did you have a meeting with one of these representatives?

A. I would say it was very shortly, within a month.

Q. With whom did you meet, sir?

A. A gentleman by the name of Mr. Heisley who represented himself as the District Manager from Washington, from their Washington office.

[fol. 4163] Q. Of what company, sir?

A. Of American District Telegraph Company.

Q. How was this meeting arranged, sir?

A. He just dropped in at my offices at E. J. Lavino & Company, Penn Center.

Q. Did you see him on this occasion?

A. Yes, I did.

Q. Would you tell us now what was said by you and what was said by Mr. Heisley?

A. Mr. Heisley informed me that he was aware of my intentions of going into the central station alarm field here in Philadelphia and he was interested to know why,

and he told me that it would cost a great deal of money—which I concur with wholeheartedly—and that there wasn't much money to be made in it—somewheres in the area of maybe six per cent that ADT makes.

And I sort of smiled at that comment because at that point I brought out a D&B on the Grinnell Corporation.

Q. What is the D&B?

A. Dun & Bradstreet report.

And I read to him the comments regarding American District Telegraph Company, Holmes Company, Automatic Fire Alarm Company—or Consolidated, whichever it was [fols. 4164-4165] called at the time—to the effect that they were controlled subsidiaries of the Grinnell Corporation. The D&B mentioned that.

I brought to his attention that financial statements from the Holmes Company, American District Telegraph Company and Automatic Fire Alarm Company were withheld.

It so stated in the D&B report, and that certainly didn't indicate to me that they might only be making only six per cent or so.

It was my impression that it was a fair amount more money than that was being made.

Page 75

Q. Was anything else said at this meeting, sir?

A. No, sir. They just asked me to reconsider my intent to go into the business and he excused himself, and that was the end of the visit.

Page 148

Q. Sir, why does your company retain title to the devices it installs on subscribers' premises?

A. Because that appears to be the trend in the business.

* * * * * * *

[fol. 4166] Q. Does the use of central station industrial supervision entitle a subscriber to insurance premium discounts,

Page 150

to your knowledge?

A. Not to my knowledge.

Q. Now, sir, with regard to these four forms of contract which you have just given us, have these been the forms of contract that have been in use by your company since it started?

A. Correct.

Q. Who designated the contract, sir, or each of them?

A. They were taken from the standard type of contract for this type of service in the field.

Q. And what is that, sir?

A. Since the Grinnell Corporation here in Philadelphia were the only ones around, any sample type of contract would have been basically along the lines of their contract, with any possible recommended changes by Counsel.

Q. To a large extent, however, it is a copy of an ADT [fol. 4167] contract?

A. I believe basically it is.

* * * * * * *

Q. Now, sir, you testified this morning that approximately fifteen to twenty per cent of your revenue which is currently in force were what you called takeovers from

other central station companies. What companies, sir, were they taken over from?

A. Holmes, ADT and Automatic Fire Alarm.

Page 157

Q. My recollection may be at fault sir, but I believe you testified this morning that there was a reason why your company adopted a five-year term of contract. I can't remember the reason.

A. To come out financially, hopefully, by the end of the fifth year.

Q. By this do you mean that you don't expect to break even on the installation cost until some period of that five years has gone by?

A. That is correct.

Q. Where, approximately, in the five-year period will your break-even point fall?

A. About three-and-a-half years maybe. It is difficult [fols. 4168-4169] to say since the competitive situation has tended to lower the rates over the past few years, therefore

Page 158

stretching out any possible recovery of your installation.

Q. During the time your company has been in business, sir, has its number of subscribers generally increased each year?

A. It certainly has.

Q. Have annual revenues in force increased each year?

A. All our contracts are still in force. They are all five-year contracts. We have only been in business for two years, two-and-a-half years.

Q. You have taken on new business?

A. Naturally.

[fol. 4170] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 336

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY, AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of THOMAS M. LEWIN, Automatic Alarm Corporation, 1350 Spruce Place, Minneapolis, Minnesota.

Page 3

The Witness: Very good.

By Mr. Fritz:

Q. Would you please state your full name and home address?

A. My name is Thomas M. Lewin. I reside at 2404 Lyndale Avenue South.

Q. That is in Minneapolis?

A. In Minneapolis.

Q. Mr. Lewin, are you an officer of the Automatic Alarm Corporation?

A. I am. I am the Vice President.

[fol. 4171] Q. How long have you held that position?

A. Approximately ten years.

Q. Were you affiliated with the corporation prior to that?

A. Briefly.

Q. For what period, approximately?

A. Approximately a year.

Q. Is the corporation organized under the laws of this State?

A. Yes, it is.

Q. Do you know when it was incorporated?

A. December 8th, 1941. Day after Pearl Harbor.

Q. Would you describe for me the nature of the corporation's business? General description.

A. The corporation is engaged in the electrical protection business.

Q. Has it engaged in that business since the date of its

Page 4

incorporation?

A. In various aspects thereof, yes.

* * * * * * *

[fol. 4172] Q. Where was its place of business?

[fol. 4173] A. Minneapolis. You mean the specific address?

Q. Yes. Please. Did you have an office?

A. 1350 Spruce Place.

Q. And the area of its operations?

A. Oh, the Greater Metropolitan Twin Cities area. This covers a multitude of sins, but this is in essence what is involved.

Q. What type of local alarm sytems did the company provide?

A. Well, as I said, local burglar alarms.

Q. Burglar alarms. I'm sorry, I didn't understand that. At the present time what does the business consist of?

A. Local burglar alarms as before, central station burglar alarms, central station holdup alarms, water flow alarms, sprinkler supervisory service, watchman supervisory service, and I would probably group everything else under industrial process supervision, boiler supervision, building temperature supervision.

Q. Does the corporation provide automatic fire alarm?

A. Automatic fire alarm service, yes, also.

Q. You mentioned sprinkler supervisory, water flow, watchmen

Page 6

supervisory, industrial process.

Q. I wasn't quite clear whether that was central office service.

A. That is all central office service. We have no local fire alarm installation, to the best of my knowledge, at least, and no local sprinkler supervisory and water flow [fol. 4174] alarm system.

• • • • • • •

[fol. 4175] Q. Has the corporation ever provided telephone answering alarm service?

A. Yes.

Q. Would you describe that service, please?

A. This is a service whereby essentially a local burglar alarm is tied in to a telephone answering exchange office manned or staffed by telephone answering personnel so that any alarm

Page 8

signals received could be relayed to local police enforcement organizations.

• • • • • • •

[fol. 4176] Q. Would you describe briefly your central office operation?

A. That is a large order. I think we have a fairly typical central office. We have our own operators, guards, servicemen. We receive the various types of signals from the

[fol. 4177] Page 9

various types of alarm services that we offer that terminate on various control boards in our office. And our operators are duly and properly trained to receive these signals, to handle them and dispose of them as required. Maintain the necessary records. I think this essentially is the—is what a central station office is. That is what we do.

• • • • • • •

[fol. 4178] Q. All of your contracts with central station subscribers are on these printed forms, or substantially in this form?

A. Yes.

Q. I gather then that you usually do contracts for a period of five years?

A. Most of the time, yes.

Q. Sometimes for longer periods Sometimes for shorter periods?

A. I don't believe we have written longer periods. Every once in a while we will write a shorter contract.

Q. For what period do you write those shorter contracts?

A. No specific period. Like anything else, a contract is a

Page 13

negotiable form and we try to write them for five year periods wherever possible. If a subscriber says that "I have got a lease on this building that lasts three years and two months," or something like that, we will say, "All right, [fols. 4179-4182] we will write it on the basis of your lease." But, essentially, we try to stick to this type of a contract.

Q. Now, why do you make this effort to stick with the five year contract, or why did you select that term originally?

A. Frankly I don't know why it was selected originally. It was before my connection with the firm. I think it's essentially industry practice. The reason why we continue to do it now is the fact that the prices that we can get due to competition for installations and service requires as long a contract as possible before we can reach a break even point.

* * * * * * *

[fol. 4183] Q. Do you have any figures as to the number of your local alarm subscribers who converted to central office service once you started to render that service?

A. Not specifically. I would say that we probably convert maybe

[fol. 4184] Page 18

20 a year.

Q. On the whole then your central office subscribers were new subscribers?

A. Primarily, yes.

Q. The sale of local alarms is still a substantial part of

your business, I gather? I gather that is evident from what you have already told me.

A. Yes, it is. However, the central station from new revenue, from new sales, from 1961, for example, as far as dollar volume is concerned, the local alarm portion is way down. It's about 20 percent.

Q. It's down 20 percent?

A. It's down to 20 percent. As far as new sales are concerned.

Q. All right.

A. In other words, 80 percent of what we sell now represent some type of central station service.

Q. What sort of establishments are protected by you, by your corporation?

A. Manufacturing plants, retailers, wholesalers, financial institutions. Primarily business establishments.

Q. You do some residential work?

A. I think we put two home alarm systems in since I have been attached with the company.

[fol. 4185] Q. In what area do you presently operate?

A. Again, essentially in the greater Metropolitan Twin Cities

Page 19

area.

Q. Well——

A. Would you like that defined?

Q. I really would like to have that defined.

A. This included Minneapolis and St. Paul, the immediate suburbs. Would you like it in a radius figure?

Q. If you are able to do that?

A. Primarily I would say within 15 miles of the Minneapolis and St. Paul City centers.

Q. Do you render central station service throughout that entire area?

A. Pretty much, yes.

Page 20

Q. The company retains title to the equipment installed in subscribers' premises, is that correct?

A. That is correct.

Q. That clause which appears in the printed contract remains in the printed contract generally speaking?

A. Yes.

• • • • • • •

[fol. 4186] Q. You state that you know that some of your subscribers do receive discounts. Do you know the percentage or are you able to estimate the percentage of subscribers who do not receive insurance discounts?

A. The percentage of subscribers who do not receive discounts?

Q. Of any sort?

A. Probably 85 percent. That is a ballpark figure.

Q. Would that figure relate equally as much to local alarm subscribers as to central office subscribers?

A. I would say so. I think more of the central office [fol. 4187] subscribers receive credits than do local alarm subscribers, percentage wise. Because when we are talking about central

station service we are usually talking about subscriber—large subscribers or subscribers with substantially more hazardous or more tempting merchandise and therefore more susceptible to loses, which again would reflect in larger insurance savings so that when we are talking central station service it is more frequent that an approved system will be put in for insurance credits. Now, this is as far as burglary is concerned. When it comes to fire protection I think almost all of them go in for credits.

Q. Has your company made a sales effort in an attempt to convert its local alarm subscribers to central office service?

A. Well, this is a continuing program, I would say. We have not made any particular drives to visit all of our local accounts and say "How about central station?" But as the occasion arises we will contact them and suggest that they convert.

Q. Do I gather from the figures you gave me earlier that there are a considerable number of your subscribers who prefer to retain their local alarm service rather than to convert to central station?

A. Oh, yes.

Q. And are those subscribers——

[fol. 4188] A. I would say not necessarily who would prefer to, but who cannot afford to go to central station service. Therefore stay with local rather than nothing. A local alarm is very nice for—oh, a little dairy store. This same dairy store

Page 24

owner would love to have central station service but obviously the economics are such that they can't afford it. So then they will stick with local alarm.

Q. That is your assumption that they are not able to afford it. Maybe that they are unable or that they are content with the service that they have, is that not so?

A. No. I don't think that is so. I know of only one instance where I personally feel that a man really should have central station service where he says no, this local alarm is working very nicely for me. I don't think I can use or I need central station service. It's not a matter of cost. I think the local is just what I need.

Q. What sort of establishment does that gentleman have?

A. Electronic manufacturing concern. But then this man is a—is one of these rugged individualists. He has made up his mind he wants this and nobody is going to talk him out of anything else. It's the exception.

• • • • • • •

[fol. 4189] Q. Has it been your experience that a proprietor of a store having protection problems, some risks, and basically the same establishments does subscribe to local alarm service whereas another subscriber with the same general type of premises, with protection problems, subscribes to central station services?

A. Yes.

Q. That is frequent or what sort of—to what frequency does that occur?

A. You mean that similar businesses, some will go cen-

[fol. 4190] tral and some will go local?

Q. Yes.

A. I think this is a very common occurrence. Except that the larger they become the more they lean toward central station service.

Q. But when we come to the larger establishments do you find that there many will prefer watchmen whereas a similar

Page 27

establishment—and by similar I mean with the same basic protection problems, risks—would prefer an electric protection service?

A. Well, let me sidestep that question——

Q. I'm not asking you to be specific.

A. Let me side-step that in this manner. Since we have only been in the central station business for but a few years, the real large risk that very obviously and definitely needs either full time watchmen or complete burglar and fire supervisory services, in most cases long ago resolved their problem and has either gone to our competitor or watchman and has fairly well established himself in this basis. Then when you come down to a somewhat smaller organization, this is where the field is most competitive at this point and most open to new sales and today I think you will find very few companies that start with watchmen. [fol. 4191] Many have inherited watchmen from one generation to another and then the question is "Can you sell central station service and replace watchmen and save it money this way." But when you are talking about the somewhat smaller organizations and you sell either central station services or watchmen, I know of none that have gone to watchmen because they are so more—so far more expensive than——

Q. Have you found that some of them have gone to patrol service

Page 28

in lieu of watchmen?

A. Not that I know of. Not that I know of. Obviously the patrol services in town are doing business, yes. Obviously they are getting some. But—it is extremely rare that I find a salesman of mine coming back to me and saying, "I'm having trouble selling this man, he is thinking of a watchman."

* * * * * * *

[fol. 4192] Q. Do you have any research or engineering work done in connection with your corporation's operation?

A. No.

Q. Does the corporation purchase the equipment which it uses in its central stations and in its subscribers' premise?

A. Yes.

Q. Does it do any assembling of its own?

A. For all practical intents and purposes, no.

Q. What are the sources of that equipment purchased by the corporation?

A. The names of the companies from whom we buy?

Q. Please.

A. Potter Electric, St. Louis; Walter Kidde Company, [fol. 4193] Belleville, New Jersey; Alarm Device Manufacturing Company, Brooklyn. A. W. Fruh Company Chicago. That represents the major sources of supply.

Q. Have you purchased from Reeve?

A. To some extent.

Q. Have you experienced any difficulty in securing the equipment that you deem necessary in the operation of the business?

A. Essentially I think we can get fairly much what we are after from these sources. There are some things that I cannot get, but most of what we need we can get.

Q. I gather you have some specific item in mind that is not available?

Page 31

Q. Were there any other articles of equipment which you had difficulty securing?

A. No major items. In other words, there is always something that comes up that you see either your competitor has something that is just made for this purpose or where you see an application that you don't know what would work and you have to sort of make do to try to solve a particular problem. There is obviously not always something readily available to solve the problem. I can't think of any specific items. If a need becomes common enough someone will manufacture it. For example, ADT made [fol. 4194] some magnetic switches that were very nice. Eventually they became popular enough where the need

Page 32

for them became common enough so that other manufacturers went into it and manufactured similar or somewhat similar devices and then put them on the market.

Q. And there were other switches though that were reasonably suitable for magnetic switches, were there not?

A. Initially? Your open contact knife and spring types——

Q. Served the same purpose?

A. Served the same purpose.

Q. Have you had any subscribers discontinue your service?

A. Yes.

Q. Is your practice in such cases to remove the equipment installed in his premises by you?

A. It is our intended practice. By that I mean we like to do this. Sometimes we are too busy to do it and we don't get around to do it. But generally when a subscriber ceases to be on our books we remove the equipment.

Q. Is that in your experience a common practice in the industry?

A. Yes.

• • • • • • •

[fol. 4195] Q. It is a fact, is it not, that an installation in one subscriber's premises is very often somewhat different or at least not alike, like to that installed in another subscriber's premise? Very rarely you find identical intallations?

A. Well, now, what do you mean by "identical installations?"

Q. For example, the number and extent of the protection installed, the number of devices, types of devices?

A. It will vary from one installation to another.

Q. And the types will vary too?

A. The types will vary too, yes.

Q. Then on the basis of that survey you compute the charge to be made to the subscriber, is that so?

Page 34

A. Right.

Q. What elements do you take into consideration in fixing the price?

[fol. 4196] A. The cost and number of devices required, the labor costs in installing it, the potential service requirements, maintenance requirements, telephone line charges.

Q. Office overhead?

A. Yes.

Q. And something for profit, I assume, also?

A. We like to put it in.

Q. Do I gather that the business has operated profitably over the past five or six years?

A. Yes.

Q. You are engaged in no other busines, are you?

A. No.

Page 35

Q. If requested by a subscriber will you permit him to amortize his initial charge?

A. We never used to. We do now if we are forced into it.

Q. Do you usually charge some interest in such cases if it's possible to work out with the subscriber?

A. Well, let's put it this way, I would like to if I could. Usually the reason we split up a charge is that we have competition trying to get the business also and if our competitors split the charge and charge no interest and the customer says, "How about you?" and if I can afford to do it

Page 36

I will—I will go ahead and do it rather than lose the business completely.

[fols. 4197-4198] Q. Over what period have you permitted subscribers to spread the initial charge?

A. Five years.

• • • • • • •

[fol. 4199] I assume you know the names of the competitors existing in the area wherein you operate?

A. Yes, I would say so.

Q. Would you mind mentioning them?

A. ADT and—well, Electro-Watchman, as far as local

alarms are concerned. Primarily in the St. Paul area. There is one other local alarm company in St. Paul that essentially is a one man operation. The man used to work for Electro-Watchman and he is gone into business for himself. I think he calls himself Protective Alarms. In [fols. 4200-4203] any case it is a small local alarm operator.

* * * * * * *

[fol. 4204] Q. Have you secured as subscribers any former subscribers of ADT?

A. Oh, yes.

Q. Are you able to estimate the number? So many per year or just a rough estimate.

A. Relatively few. If I said two or three a year I would probably be saying high. In other words, where ADT has been protecting an existing establishment and where we have come to take over this protection. In other words, where the customer has not moved, nor where a new customer hasn't gone into an existing building. Where there has been continuity of management we have taken over very, very few.

Q. You have taken over more in a case where the subscriber may move into a new premises, where there has been—the business at that location has been——

A. Yes. Where somebody else, an existing customer [fol. 4205] moves to a new location or builds, we have a chance to get the business, yes. It's rare, but we still have a chance to get the business.

Q. You have secured protection service contracts with new subscribers in competition with ADT, have you not?

A. Yes.

Q. Who previously never had service?

Page 48

A. Yes.

* * * * * * *

[fol. 4206] A. About two and a half years ago I was in Washington to state the problems that we were having locally with ADT.

Q. To whom did you speak at that time?

A. To Mr. Story.

Page 50

Q. Were you there at his invitation?

A. No. I came on my own volition. In other words, this was initiated on my part.

Q. Did you have knowledge of an investigation then in progress of the electric protection businesses in the country?

A. I don't frankly recall.

Q. What was the general content of the complaint that you made at that time?

A. That is very simple. As soon as we went into the [fol. 4207] central station—approved central station business and I would say specifically and most drastically as soon as we had our record approval—in other words the fire approval—ADT cut the bottom out of their prices.

Q. When you say "They cut the bottom out of their prices," do you mean that ADT—oh, withdraw that. What do you mean by "cutting the bottom out of their prices"?

A. Well, I mean specifically that three days after we received a letter from the local fire underwriters inspection bureau ADT—an ADT representative or representatives went out to a number of then recent potential accounts—

Q. Potential accounts of yours?

A. Of——

Q. Of either?

A. Central station accounts. Potential to either one of us.

Certainly potential to ADT in that they had submitted

Page 51

proposals for service prior to that time but recently prior to that time, and said to the subscribers or potential subscribers, "May we please have our proposal back? We have just come out with new prices and these new prices are lower and we would like to rebid."

Q. Were you present at any such meeting or occurrence?

A. I was not present at any such meeting. However, I [fol. 4208] was so informed by a—one specific individual that had been so approached by a representative of ADT.

Q. The individual being the subscriber or the manager of the subscriber?

A. Yes.

Q. Would you mention that individual, please?

A. Yes. His name is Dave Blair.

Q. Is that the name under which he carries on a business?

A. No. This is his individual name. He is the purchasing agent for Rodgers Hydraulic Company.

Q. Here in Minneapolis?

A. Right.

Q. How did you come to receive this information from Mr. Rodgers?

A. From Mr. Blair.

Q. Excuse me. From Mr. Blair.

A. We had—Rodgers Hydraulic Company was in the process of installing a sprinkler system throughout their plant. For insurance purposes they had either approached or had been

Page 52

approached by ADT to supervise their sprinkler and had then called us for figures——

Q. After having received ADT's figures?

A. After having received ADT's figures. And I believe they were informed of our existence by their insurance [fol. 4209] agent. In any case, they called us. We went out and we quoted figures to them——

Q. Do you know or did you know at the time what ADT's bid had been?

A. No, we did not. We quoted our figures and we were informed at that time that our figures were right. This looked very good. They would undoubtedly go with us. Now, this was immediately prior to the time that we received officially word that we were approved. Now, then, we received our approval and I would say this was all during a matter of two or three weeks, probably, and then before the subscriber had a chance to sign a contract with us they were approached by ADT.

Q. Do you know what ADT's bid was at that time?

A. I'm not sure is I have the actual figures. I'm sure you could get that actual information from your client. This is incidentally, some information that I did give Mr. Story when I was in Washington.

Q. I believe I will have—I will have less difficulty asking you for it.

Page 53

A. Pardon me?

Q. I probably will have less difficulty getting it from you.

A. I don't have the figures here. I don't have the figures here.

[fol. 4210] Q. Well, do you recall whether those figures were even with, below or above the figures that you had submitted on behalf of your corporation?

A. They were below figures that we had originally quoted.

Q. Had you submitted a second—You had submitted more than one bid?

A. No. Originally ADT's figures were higher than ours. When we submitted our figures I did not know what ADT's figures were. Then ADT came back and refigured or resubmitted and to the best of my recollection Mr. Blair said that they cut approximately 50 percent.

Q. Cut that from their original quote?

A. From their original quote.

Q. But that didn't answer for you as to whether the ultimate quote submitted by ADT was above or below or even with yours?

A. Well, yes. Because the second time—again I'm—off the record a moment.

Mr. Story: Stay on the record. Go ahead and put it all on.

The Witness: I don't recall off-hand what the figures were. I believe I gave them to you, but I'm not sure.

Page 54

Mr. Story: No.

By Mr. Fritz:

Q. You are not sure whether they were above or below [fol. 4211] the figures submitted by you?

A. They were below the figures that were submitted by us initially. Now, they furthermore stated that ADT had agreed to eliminate completely the installation charge that

they had originally quoted. In other words, not only was the rental reduced, the annual charge reduced, but the installation charge was omitted completely. Just eliminated.

Q. This you have from Mr. Blair, I get it?

A. From Mr. Blair.

Q. Orally? You did not see ADT's bid, for example, did you?

A. Yes. I think he showed it to me. I think he showed it to me.

Mr. Story: Are you talking about the first one or the second one?

The Witness: The second one. The second figure now. Now, on the basis of this Mr. Blair told me, he said, "Look," he said, "I would like to give you the business. I don't like the way that ADT has come around. I don't like their business ethics. But, by the same token, when we are talking about a one or two thousand dollar installation charge of which I can save at least half"—I mean, originally say ADT's bid had been $2,000 and ours had been $1,000, and if ADT said now I'm going to do it without

Page 55

an installation charge, they would have had a saving of at least $1,000 over and above our price and Mr. Blair pointed out that he could not justify such an expenditure [fol. 4212] to us, to our own organization if he could get it for less money from ADT in spite of their business tactics.

Q. Do you know if ADT's annual service charge exceeded what you call your charge?

A. Originally I understand it did. Subsequently it was less than our annual charge.

Q. Then did you submit a further bid?

A. No. At this point I said to Mr. Blair, I said, "Look, we have just received our approval. We have to write business. We have to start accruing a list of subscribers and so even if it means that I'm going to lose money on you—I need your business." So, I said, "Under the circumstances I will do the same thing. I will eliminate my installation charge. I will do it on a straight annual basis." Here we ended up with about the same amount that we had originally requested as an annual charge. We may

have cut it a few dollars, but it was essentially that sum.

Even after he did sign with us and here the figure was approximately $1,100 a year——

Q. He actually executed a contract?

A. He actually executed a contract with us at that time. Subsequent to that he was further approached by the ADT

Page 56

salesman who thereupon offered to do the job for $900 [fol. 4213] annually. No installation. So they came down from—what originally I think was somewhere around $1,500 a year to no installation and $1,100 a year to no installation and $900 a year.

Q. Who eventually wound up with the subscriber?

A. Mr. Blair signed the contract with us at our second meeting at the approximately $1,100 figure.

Q. And you have still got Rodgers Hydraulic?

A. And we still have Rodgers Hydraulic. Needless to say, we haven't made much money on the account.

Q. Do you know whether, according to Mr. Blair, the installation charge as you called it had been eliminated entirely?

A. Had been eliminated entirely. Now, it's possible, I suppose, that ADT had figured that they had reduced their annual charge but had taken the installation fee and split that over five years to come up with a lower average charge or no installation. But in essence that is what they came up with.

Q. Do you know whether the bids put in by the two companies were for basically the same type of system and equipment?

A. Yes. Because the requirement for the bid was that it be for a system to meet F.I.A. requirements.

Q. Was that the full discussion you had with Mr. Story on your visit a few years ago?

A. We touched on some other accounts.

[fol. 4214] Page 67

Q. All right. Now, we will go ahead.

A. So, as I say, this M & S Auto Parts was the first instance where we had run into the spreading out over extensive periods

Page 68

of time the installation charge.

We now go to a recent situation. This list, incidentally, is very haphazard. It's not chronological or anything else. Thompson Lumber Company. This is June of '61. Here we have a local alarm that we were bidding on. We had quoted $245 and $20 a month. This was for a sizeable system, as far as local alarm is concerned. ADT was substantially, quote, below us, unquote, in cost and took the job. Even on a local. Now, up until the time that we went —we received U. L. approval on our central station service ADT to the best of my knowledge had but two local burglar alarm systems in Minneapolis. One was a liquor store up on Broadway, one was a little photo shop out on Lake Street. This was the extent of their local alarm activity. They had one several years back, a large bag manufacturing concern, but this was shortly after the War, evidently when telephone line facilities were still difficult to get.

They took it on a local basis and tied them into central station office as soon as telephone lines were available. [fol. 4215] However, since the time that we have been approved by the Underwriters' Laboratories ADT has sold local alarm service. Prior to that time they were just—would just beg off. Since that time I don't know how active they have pushed it, but they have certainly not turned down

Page 69

any local alarm business. They will fight for it if the occasion presents itself.

Q. This is based on what you learned from your salesmen or——

A. This is based on——

Q. Or discussions with subscribers?

A. Discussion with subscribers and on jobs that we know we have lost where we have bid on local and on central station and we have seen local service go in. I presume that when we see ADT decal and a ADT bell housing on the outside of an establishment that it is an ADT system. This is an assumption that I have to make.

Q. This local incident that you mentioned, the local alarm incident that you mentioned——

A. Yes.

Q. Did you give me the name and date of that incident?

A. When I say June of '61, it was during approximately that month.

Q. And the name of the company?

A. Thompson Lumber Company.

[fol. 4216] Page 72

There were a number of instances when we run into ADT National accounts that we just don't get a chance to bid on and these are interspersed in my list.

Q. How do you know they are ADT National accounts?

A. Well, when you call a main office or the office of one of these people or one of these companies and you get a very polite run around or outright statement, "Well, we are really not interested. We do business with ADT Nationally." That is the story. You know. Every once in a while you can say, "Look, Mr., I can maybe save you money. Are you interested in saving money for your organization?" You know you can only go so far without really insulting the individuals. They will usually say, "Well, if it will make you happy you can bid on it but I'll tell you right now you don't get a chance of getting it."

Q. In these instances have you communicated with the main office of the subscriber or have you dealt with the people in Minneapolis?

Page 73

A. In some cases we have dealt with local contact men and in some cases we have dealt with field engineers or construction supervisors or something like this. And in some cases we have called the main offices in the various cities. Let's face it, when you are after business you do [fol. 4217] whatever you can to contact the right people. Sometimes you start at the top and work down, and sometimes you start at the bottom and work up.

Q. Would you list the accounts which you describe as ADT National accounts as to which this has occurred?

A. Right. Well, Owens Illinois Glass.

Q. Please give us the date.

A. The date I don't have in most cases. In most cases where I write ADT National accounts I have not written the dates.

Q. Do you have the records of the installation in this area which you sought to protect? The address.

A. Yes.

Q. Would you in each instance give us the address of the premises you sought to protect and the name of the so-called ADT National account and the date, if possible?

A. Well, I'll give you whatever I can, let's put it that way.

Illinois Glass, I made a note here February of '59. I think this is a plant they put up in or near Savage. This is a suburb—just south of the Minnesota River. Would still be serviceable from our central office.

Page 74

Atlantic Mills Discount, a chain discount type store. They have several in or going in. This is recent. So if we say 1960, '61, this would be close enough.

U. S. Rubber. It's a couple of years old. Just off the Belt Line, which would identify the location for you.

[fol. 4218] Q. It doesn't for me.

A. Not for you, but it would as far as maybe correlating it with your ADT records maybe.

Q. We will see about that.

A. I think Cedar Lake Road would be an address for this. The location.

American Cyanamid Company on Excelsior Boulevard. Ford Motor Company, they have one up on St. Anthony Boulevard. Canada Dry Ginger Ale. They are on about 40th Avenue South, somewhere around there.

Q. Unless otherwise mentioned I assume these locations are all in Minneapolis?

A. In Minneapolis, yes. Sears Roebuck on Lake Street. This is not too recent. More recently in the Northbrook Shopping Center. Montgomery Ward, I think it's called Ward's Southtown Center on Highway 100 South. The Upjohn Company on Olson Highway. Philco Corporation—here I have a date of March, 1960. Spartan Stores. There is one in already. There are several going in so I don't have the locations, but they

Page 75

are all Twin City suburban locations.

I think that is about what I have as far as what could be considered national accounts that I have got a list of.

Q. Did you submit bids in connection with any of these? [fol. 4219] A. Not every—in most of them, no. Montgomery Ward we submitted a bid.

Q. A written bid?

A. A written bid that we sent in. We don't have a representative in Chicago, so we couldn't deliver it personally. It wasn't a big enough item that it would pay me to take a trip to Chicago to try to sell it. We were informed later that the ADT bid was lower. This was the only one, I believe, that we did anything approaching a bid on.

Q. What types of services were involved in those various incidents?

A. In all cases they were central station services of one type or another.

Q. Have you got any other occurrences of which you complained to Mr. Story?

Page 92

The Dayton Company. This is the remote delivery warehouse on Olson Highway and Lyndale. ADT went in there originally when the building was built. We have been in there about two years. So this was about 12 years ago. Two years ago the contracts were up for renewal for the second time. Mr. Renne of the Dayton Company called us and I was—I was put on the phone and he said, "Would you please figure burglar alarm and complete sprinkler [fol. 4220] supervisory and building temperature, boiler room service for us?" I said I would be happy to do that but I would like to point out that you have undoubtedly a contract with ADT and, number two, if your contract is up you must realize that is we put in a system we are going to have to charge you an installation charge. He said, "Well, let us worry about our contracts or lack of contracts with ADT. But you just figure the job for us." Well, we figured the job. We came up with an installation price, we came up with an annual charge.

Q. Were these bids that you made to Dayton's in accordance with your then current estimating guide?

A. Yes, I would say so.

Q. I don't know what your estimating guide was, but I assume

Page 93

you sharpened your pencil when submitting your figure?

A. No. For this reason. We had experienced at that time a number of cases where customers would call us and say, "Our contract with ADT is up. Would you figure the job for us?" We would then spend a lot of time and effort figuring a job and the bigger they are the more time it takes you. You go out and you sharpen your pencil real sharp because you think, by God, if we are real close to this thing maybe we can get a job. You give them your figures and they go back to ADT and say, "Well, look, [fol. 4221] I can get it from Automatic Alarm for so much money. Don't make me change." ADT will say, "Well, all right, let's compromise and we'll do this." This has happened several times.

At that point we were sick and tired of running around and wasting our time.

Q. These, of course, are your assumptions——

A. These are our assumptions, yes. And a number of instances we have been told as much. So in this case we decided "Well, look, lets quit wasting our time. Let's figure a job properly and if we get it fine, and if not, okay too." And we were told at that time that our prices—not only was our annual lower but including our installation. Including our installation and the annual. Within the first five years the Dayton Company would be saving something over and above what ADT had been charging them and that ADT was

Page 94

our for a substantial price increase.

Now, as soon as ADT found out that again we were in the picture they came and instead of offering to raise the price substantially they attempted to be permitted to rebid this thing at a lower price. And at that point Dayton's said, "Nothing doing folks. You had your chance and you muffed it." Subsequently, we have run into other ADT jobs with the Dayton Company where contract renewals have been involved, and we have, of course, bid

[fol. 4222] them because we—I mean, Dayton's are doing business with us already but we realize that from now on what is going to happen that instead of ADT's prices they are going to lower them. If we have to compete on that basis it becomes a little ridiculous. So we continued to give them figures but ADT has lowered and has maintained whatever business they had.

Q. Are you making any money on that Dayton job that you did get?

A. On the Dayton job I think we are making money. I think we are making money.

Page 97

Deep Draw Corporation. ADT's price was two to three times higher than Automatic Alarm. This lead came through the sprinkler company, Grinnell, originally. ADT was not aware that Automatic Alarm was in the picture. Grinnell was doing some maintenance, I guess, on the sprinkler system and the Grinnell man recommended to the subscriber that we supervise sprinkler systems. He had some good cases of water damage where frozen pipes or something and he got a bid from ADT, went to his insurance agent and said, "What can I save? How is this going to effect me?" and the insurance agent gave him the information but also suggested that he check with Automatic Alarm. In other words, this was a closed sort of situation where normally ADT would not expect competition. We came in, we gave them our figures. We were substantially lower than

[fol. 4223] Page 98

ADT and we got the job.

Q. Had you put sprinkler supervisory equipment on any other Grinnell Central Systems in this area?

A. Yes. Yes, we have. Not extensively.

Q. By "closed situation," what did you mean?

A. By closed situation I meant where the sprinkler company involved recommended a particular alarm company.

Q. How do you know the recommendation was made in that case?

A. Because the customer so told me.

Q. Told you personally?

A. Told me personally.
Q. To whom were you speaking?
A. To the owner of the Deep Draw Corporation.
Q. Do you happen to know his name?
A. It will come to me later.
Q. If it doesn't come to you before the close of this deposition would you write the answer in the space to be provided at this point?
A. Yes.

Mr. Fritz: Is that all right?
Mr. Story: Fine.
Mr. John E. Andrus, Pres.

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[fols. 4224-4227] A. Can we get the prices that we feel we should have, in other words?
Q. That's right.
A. This would be a guess, at best. In many cases we realized that if we are not up against competition—we are certainly potentially up against competition—and knowing the procedure activities of the competition, we know that if we do try to put these prices into effect we won't get them. I would say probably in 75 percent of the cases we can get the prices we want.

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[fol. 4228] Q. Mr. Lewin, prior to the time your company was approved by the insurance organizations to fur-
[fol. 4229] nish accredited central station service did you lose any accounts you were attempting to get because of the fact that your company did not have approved central station protection service?
A. There were many accounts that we could not—that we could not approach because we could not give them the service they required. There were a number of accounts that we approached only to find out that we could not give them the service that they required because we could not give them the insurance credits involved nor, of course, could we offer them the fire protection services that would comply with F.I.A. requirements or similar rating organization requirements. Therefore a lot of business was closed

to us prior to that fact that we went into the approved central station business.

Page 144

Q. Have you ever had occasion to remove equipment from the premises of a subscriber to a central station service at the end of a five year period? You have been rendering central station service for—what, three years?

A. Well, we have been rendering central station service for three years, but we have had central station systems installed for more than three years.

Q. Now, you are speaking of your telephone answering service?

A. Right. In other words, these are essentially similar systems. Now, the details of one may vary from another, [fol. 4230] but essentially you have a control unit and you have some wire and you have some switches, both in central station systems as well as local systems. Once a system has been installed just about the only thing that is worth salvaging is the control equipment. The rest of it—I'm talking about a conventional burglar alarm system. The rest of the equipment that has been in there for four or five years costs you more to remove and recondition before you can reinstall it than it would—than the whole thing is worth. Frequently you will remove

Page 145

it so that, for example, the foil that is on a window which is the mere presence of it giving some sort of protection to the customer, if he isn't paying for the protection and for the manpower backing up your protection services, if he isn't paying for it he is not entitled to get it. Therefore, we will remove this evidence of protection. But the salvage value is nil.

Q. We spoke before of F.I.A. As far as that organization is concerned, are watchmen the equivalent of central station service?

A. I'm not sure whether watchmen are equivalent or supervised watchmen are equivalent. But I do know that F.I.A. used to consider them equal or even in some of the larger buildings prefer watchmen. They have in the last [fols. 4231-4232] ten or 15 years realized that the cost of

watchman service, true watchman service is so high as to put it out of practical limits for many organizations. They, therefore, now will accept complete burglar and fire alarm service.

Q. There are things that watchmen can do that central service cannot do?

A. Absolutely.

[fol. 4233] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 337

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY, and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of GERALD J. LINDER, American Fire Dispatch, Inc., 6317 South Figueroa Street, Los Angeles, California

Page 3

By Mr. Fritz:

Q. What is your address, Mr. Linder?

A. Home address?

Page 4

Q. Yes.

A. 1815 Logen Side Drive, L. A. 47.

Q. What is the nature of your business?

A. Central station burglar, fire alarm services.

Q. And the name of your company?
A. American Fire Dispatch, Incorporated.
[fols. 4234-4235] Page 4
Q. And the location of that business?
A. 6317 South Figueroa Street.
Q. What is your position with that company?
A. Vice-president.

* * * * * * *

Q. How long has that company been in business?
A. February, 1954.
Q. I take it it does business only in Los Angeles and surrounding areas?
A. Yes, including Orange County, Los Angeles and Orange Counties.
Q. It doesn't do any business elsewhere in this state or in any other state in the union, is that correct?
A. Central station service, no.

* * * * * * *

[fols. 4236-4237] Q. Does your company furnish more than one type of central station protective service?
A. Oh, yes.
Q. What other types?
A. Well, central station burglar alarm service, hold-up alarm service, automatic fire detection, manual fire alarm service, waterflow alarm, sprinkler supervision, and industrial process supervision, and general monitoring services, which covers just about anything else.
Q. Do you furnish any type of local alarm systems?
A. Oh, yes.
Q. Local alarm services?
A. Yes. Under another name: Security Alarm System, which is a division.
Q. Is that a corporation, or just a division of your—
A. A division of American Fire Dispatch. The same

Page 7

employees, the same operation, the same everything.

* * * * * * *

[fol. 4238] Q. How about fire; do you have anything of the same sort with respect to fire protection?

A. At the very first, no. I'd say within a year, though, we installed a system in the Hawthorne Fire Department, in the Inglewood Fire Department, to connect out alarms direct to the fire department, the reason being the only way to receive approval on a fire alarm system is one of three methods. Either proprietary, which has basically a central system wholly within the protected premises, a central station system, which we did not have, or a remote system, which meant running an alarm to a fire station direct.

Now, each one of these could receive approval. There is a fourth also. An auxiliary system is connected to a municipal fire alarm system already intact. However, the credits allowed to an auxiliary system were very low. The credits allowed on a —I am talking about insurance credits now.

Q. Yes.

A. —allowed to a remote system were just about two to three per cent lower than that of a central station

system. So in order to receive approval within these var-
[fol. 4239] ious jurisdictions, we could run an alarm direct to the fire station, running approved equipment, and have approval of the Pacific Fire Rating Bureau.

Q. Now, if I use the term direct-connected I take it that is synonomous with what you refer to as remote—

A. Station. That is for fire alarm.

Q. For fire alarm?

A. Right.

* * * * * * *

[fol. 4240] Q. In addition to that, in your security division, you provide local burglary alarm service, right?

A. Yes.

Q. I take it that is in the City of Los Angeles and its environs, is that right?

A. Right.

Q. What, just generally, would be the geographic area that you cover by your local service?

A. The same as the other, Greater Los Angeles area.

[fol. 4241] Q. The Greater Los Angeles area?

A. Including Orange County.

Page 16

Q. Just to digress for a moment, what is the approximate population of Los Angeles and its environs, do you know?

A. Including Orange County, around six million people.

Q. And Los Angeles proper?

A. About two and a half million.

Q. Now, what is the number, approximate number, of local burglar alarm subscribers that your company has?

A. About 600.

Q. How does that compare with the number that you had when you started? I think you said it was in 1956.

A. On the bells?

Q. Yes.

A. There again, one.

Q. You started with one?

A. But, however, most of the 600 were obtained in a purchase in 1959.

Q. How many?

A. About four hundred-and-some, 450, 400, or 450. I don't recall exactly.

Q. Would you mind telling me what company that was?

A. Blackadder Detectives.

Q. And that was acquired in 1959?

A. Right.

[fol. 4242] Page 18

Q. What are the types of establishments with which you have furnished local alarms, would you say?

A. Oh, clothing stores of all types.

Q. Jewelry stores?

A. Jewelry stores, radio, TV.

Q. Retail liquor stores?

A. That is right.

Q. Retail stores in general, I take it?

A. That is right. Very few industrial concerns.

Q. Very few?

A. Yes.

Q. But some?

A. Yes. We have quite a few that we purchased from Blackadder.

Page 19

Q. Then, you purchased approximately 400 local accounts from Blackadder?

A. Right.

Q. And the difference, or roughly 200 or two hundred and some, are those that you procured on your own account?

A. Right.

Q. Revenuewise, what does the burglar alarm, in gross, annually amount to?

A. There again, multiply the 450 or 600, roughly, by $7 a [fol. 4243] month and—times 12. I'd say it's around $50,000 a year.

Q. Has it been at that figure, approximately, from 1959 to date?

A. Oh, roughly. We have added, I'd say, maybe 100 in the last year.

Q. What?

A. We have added 75 to 100 in the last year, probably, ourselves.

Page 20

Q. Then, does the 600 that you gave me include the 75 or 100 that you have put in in the last year?

A. Yes. That is approximately our total amount at the present time.

Q. So your gross revenue from the local burglar alarm service has been approximately $50,000?

A. I'd say very close, that's right.

Q. And that is what it has been for the last few years?

A. Well, since 1959, anyway.

Q. Prior to that it would be measured by 15 or 18 dollars times—

A. No, $7. The bells are $7 a month.

Q. $7 a month?

A. Yes, an average of $7 a month. Some are $6, but I would say $7 is an average.

Q. And the number of subscribers prior to 1959 ran from one up to about what, 100?

A. Roughly 100, 150, somewhere like that. These figures [fol. 4244] are—I don't know exactly—they are approximate.

Page 21

Q. I am not asking you for precise dollars, but they are reasonably accurate, are they not?

A. Oh, yes. The formula is accurate.

Q. Now, you also provide central station and burglary protective service, do you not?

A. Right.

Q. What, roughly, is the radius of your activity, I mean, geographical radius of your activity, of your central station burglary protective service?

A. Oh, in Los Angeles County, except Palmdale and Lancaster area.

Q. What does that mean in miles, because I am not familiar with that.

A. Square miles, do you mean?

Q. What?

A. Square miles?

Q. No. I mean the radius. How far out do you reach?

A. I would say from our central station we probably reach at least—I know some accounts are 40 miles away.

Q. Fourteen?

A. Forty miles.

Q. Oh, 40?

A. Of course, that wouldn't be a perfect circle. That [fol. 4245] would be a bump on the circle. But I would say about

Page 22

30 miles from our central station is a good figure.

Q. As an average?

A. As an average. We have go some further, but on an average I'd say 30 miles.

Q. Operating at that radius, does that enable you to provide approved central station burglary protective service?

A. No, except local combination. In other words, certificated as local and connected to central station, also.

Q. In other words, by "combination" you mean a local bell system to a subscriber's premises, which is also connected to a central station, which monitors the alarm at the subscriber's premises, right?

A. Right, but only certificated as local. Now, you can certificate a combination. There is a Grade A central station

system, if you can make the running time. We can't do it in a log of the outlying areas, so we certificate them as local.

Q. Which gives you the same discount provided for in the manual as local?

A. Not quite—the same discount as local.

Q. Do you have a substantial number of these subscribers who use this combined service that you just mentioned?

Page 23

A. Ten or twelve. The reason for this, a lot of areas—in [fol. 4246] other words, if central stations service can be obtained it is more desirable.

* * * * * * *

[fol. 4247] Q. I assume in connection with your various types of service you have written forms of contracts?

A. Yes.

Q. Do you have sample copies with you?

A. Yes, I do.

Page 46

Q. Just one of each type.

A. I have two contracts, one for local and one for central station.

Mr. Fritz: Will you mark these, please for identification.

(The service contracts referred to were marked by the notary public as Defendants' Exhibits 1 and 2 respectively for identification, and are attached hereto.)

Mr. Fritz:

Q. The first one I am showing you is the one bearing the heading, "American Fire Dispatch, Inc., Electronic Protection Services." That is No. 1 in this deposition. The next one, "Security Alarm System" is the heading, which is No. 2 for identification in this deposition. I notice both of these [fol. 4248] contracts which you have been good enough to give men, which have been marked respectively Exhibits 1 and 2 for identification, contain the provision that all devices and equipment installed on subscriber's premises shall remain the property of your company is that right?

A. Right.

Q. How long has that provision been in your contracts?
A. As long as we have had a contract.
Q. As far as you know, is that a common provision

Page 47

in the protective service industry?
A. Yes.
Q. What is the usual term or duration of your contracts?
A. Printed in the contract, five years.
Q. In both?
A. Yes. We do vary, of course, if there is a difference in the lease. They will lease them three years, and the salesman will cross of- the contract and write in "Three years." We have had cases where they cross off and write in "One year."
Q. Generally speaking, they are five-year contracts?
A. Yes.

* * * * * * *

[fol. 4249] Q. And upon the termination of a contract what is the practice of your company with respect to removing that property?
A. We remove what we call our transmitter or control unit, or our local alarm box, whatever the case may be. We remove our magnetic contacts. We remove our door cards which are the connecting cor-s between the door and the frame. We remove any invisible rays or ultrasonic or electronic devices. We don't remove foil. We don't remove wiring unless the customer particularly asks us to take it out, which I don't think has ever happened. We only remove the actual hardware that we could actually clean up and use elsewhere.
Q. In other words, you remove everything that is really recoverable both in a physical and in an economical sense?

[fol. 4250] Page 60

A. That is right. If it is an item that costs 15 cents that will take us half an hour, it wouldn't pay us to do it.
Q. Has that been your practice ever since you

Page 61

have been in business?

A. In most installations our men remove the equipment in less than half an hour.

Q. Is this common, this practice, throughout the protective service industry, would you say?

A. No. Some companies have got a habit of going into an installation, they snip wires and scrape the foil. There is no real re-son for it. Maybe they are getting some kind of self-satisfaction in doing this. We have had some cases recently here, some companies actually removed every inch of foil and every inch of wire in the building. Here was a box and a bunch of broken wires. All you could do was take it down in the trash can. One particular case I know of, two men spent a whole day to remove the system in this building, because they lost the account.

Q. Is it the practice, though to remove all the—

A. I wouldn't say so.

Q. —to remove all the recoverable equipment?

[fols. 4251-4252] Page 61

A. Oh, yes. That is only good business. Why throw it away?

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[fol. 4253] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 338

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of THOMAS L. LUGEN, Fidelity Electronic Protective Service, 5993 Centre Avenue, Pittsburgh 16, Pennsylvania

Page 5

Q. Mr. Lugen, would you state your full name for the record?

A. Thomas L. Lugen.

Q. What is your home address, sir?

A. 826 15th Street, Oakmont, Pa.

Q. What is your present employment?

A. With the Fidelity Detective Bureau, Inc. as the Vice-President of the corporation, and sales capacity, at this time.

Q. Does your company have any subsidiaries or subdivisions listed or carried under other names?

[fol. 4254] A. We do.

Q. Would you name them, please?

A. Fidelity Electronic Protection Services, Employees Clearance Bureau.

Q. What is the address of your company, sir?

A. 5993 Centre Avenue, Pittsburgh 16, Pa.

Q. All the companies you have just listed have that same address?

A. They do.

Q. What is your position with the companies that you have named, Mr. Lugen?

A. As of today, sir?

Page 6

Q. Yes.

A. I am the Vice president of Sales.

• • • • • • •

Q. Now, sir of the companies that you are associated with are any of those companies involved in the protection business of property from hazards such as fire and burglary.

A. Fidelity Electronic Protective Services, yes.

[fol. 4255] Q. How long has that company been in business?

A. Since February of 1960—'61, I'm sorry.

Q. February, 1961?

A. That's correct.

Q. How long have you been employed or working for this company?

A. The entire life of the company, which is as of February of 1961.

• • • • • • •

Q. Let me ask you this question, sir: Your parent company and your Employees Clearance Company, does either of those two companies have anything to do with the protection business?

A. They do, in other phases, sir.

Q. Would you briefly describe the types of protection services which is rendered by your Fidelity Electronic Company?

A. We are a central station for intrusion alarms and we are being processed at this time for approval on fire alarms.

Q. That is in connection with your central station operation?

A. Right.

Q. Does your company conduct any other types of protection service other than central station service?

A. We have local alarms, also.

Q. Do you have any other types other than local and cen-

[fol. 4256] tral station?

A. Holdup alarms. We are being approved for watchman supervision at this time.

And also fire, we are being approved at this time.

Q. Now sir, does your company do any what is called remote station protection service business or direct connecting protection service?

A. Are you referring to central?

Page 8

Q. I am referring, sir, to remote station, which is commonly referred to in the trade as those alarms which are connected to the Fire and the Police Department of the various cities.

A. Yes, we do.

Q. Does the Fidelity Electronic Protection Company handle all three types of protection service? That is, your remote station, direct connected, your local alarm and your central station protection business.

A. They do.

Q. In addition to that does your company engage in any watchman business, watchman or patrol service business?

A. We engage under the category of Fidelity Protective Bureau, Inc. in watchman and guard business.

Q. I see.

So all of your electrical protection business, then, is [fol. 4257] carried on by your Fidelity Electronics Company?

A. That's correct.

Page 9

Q. After your central station was in operation there came a time when you sought the approval of various insurance

Page 10

organizations for your central station?

A. That's correct.

* * * * * * *

[fol. 4258] Q. Generally speaking, to what distance from your central station can you service central station protection subscribers?

A. A 30-mile radius.

* * * * * * *

[fols. 4259-4260]) Q. Mr. Lugen, does your company retain title to the protection systems which your company has installed on the premises of the subscriber?

A. We do.

This is pertaining to central station?

Q. That's right.

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[fol. 4261] Mr. Story: All right, we will start all over again.

Q. Based on your experience, Mr. Lugen, would you have been able to secure any central station fire alarm accounts had you not told them that you were seeking approval and expected to get it in the near future?

Mr. Fritz: I object to the form of the question. It calls for speculation and it is based on Mr. Lugen's experience, which I haven't, at this time, been assured of.

Q. You may answer, sir.

A. Would you repeat the question again, please?

Mr. Fritz: Have the reporter read it.

(Question read.)

A. I believe I would not have received these accounts, sir.

Q. Mr. Lugen, prior to the time you received approval from the Underwriters Laboratories did you lose any prospective subscribers to central station burglar alarm service because of the fact that you did not have Underwriters Laboratories

Page 23

approval at the time that you were soliciting this business?

A. I did.

Q. Was that on many instances, sir?

A. To date I couldn't say it was on many instances, but if we would go in round numbers I would qualify myself to say between 20 and 25.

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[fols. 4262-4263] Q. Mr. Lugen, does the City of Pitts-

burgh allow any burglar alarm systems to be connected to the Police Department?

A. No, they don't.

Q. Does the City of Pittsburgh allow fire alarm systems to be connected to the Fire Department within the City Limits of Pittsburgh?

A. No, I don't.

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[fol. 4264] Q. Sir, would you briefly describe the types or categories of customers which you are able to sell your local alarm service to?

A. The small service station, the corner drug store, the

small grocery store, the outlying grocery stores, shopping centers that are beyond the scope or reach of our central station.

Q. Could you briefly describe the type of business institution that you are able to sell your central station protection service to?

A. Pittsburgh Public Schools, industry, such as mills where a capacity of 50 to 100 people are employed; larger transportation companies.

Generally when we sell a central station alarm to a client they are a client that is either using a night janitor or some other form of man, to man or protect this property. And this is eliminated, to a partial degree, after we install this service.

• • • • • • •

[fol. 4265] Q. Do you provide full-time watchmen to your customers?

A. To some customers, yes.

Q. Then you have, also, a patrol service?

A. To other customers.

Q. That consists of having guards roam the city in automobiles, does it?

A. That's correct.

Q. Are there also foot guards?

A. The Patrol Division that we have, which is a division

of Fidelity Detective Bureau, are uniformed, armed watch-
[fol. 4266] men in vehicles, marked and unmarked, patrolling buildings, institutions, et cetera, in the vicinity of Pittsburgh and its suburbs.

• • • • • • •

[fol. 4267] other cities in the country?

A. We have.

Q. Are these corporations that you might label a national concern, a nationally-known concern?

A. Yes.

Q. Chain stores?

A. Yes.

Q. Chain grocery stores?

A. Yes.

Q. Chain clothing stores?

A. No.

Q. Are any of these subscribers or purchasers of the local alarms—excuse me. Off the record.

(Discussion off the record.)

Mr. Fritz: Would you read that question, please?

Page 52

(Question read.)

By Mr. Fritz:

Q. (Continuing)—the owners of establishments that you would describe as being large establishments or widespread establishments?

A. I would.

Q. For example, what kind of square footage would be involved, or the number of stories?

A. 80,000 and up.

• • • • • • •

[fol. 4268] Q. Do you provide any remote station or direct connected

Page 53

service?

A. By remote station do you mean central station?

Q. No, by remote station I mean direct connected service, those that are synonymous, in my mind. And by direct connected service I mean that service wherein certain devices are installed on a subscriber's premises and when they are actuated they transmit a signal over telephone wires to a police or fire headquarters.

A. Yes, we do.

Q. How many subscribers do you have to that type of service?

A. I would say approximately five.

Q. Where are they located?

* * * * * * *

[fol. 4269] Q. Do you render any auxiliary alarm systems? By that I mean that type service in which the signal [fols. 4270-4271] is transmitted from a subscriber's premises over the municipal telegraph system into the fire headquarters.

A. Yes, we do.

Q. Where do you render that type service?

A. In the Pittsburgh area.

Q. Including the city?

A. In the city.

Q. Do you render auxiliary type service only with respect to fire alarm installations? Also, with respect to burglary alarm installations.

A. In this city when you say to a fire dispatch station we only have one account, to date. We have several in process, but one account to date that we render this service to in the line of fire.

Q. What type fire protection service to you supply to that subscriber?

A. Pneumatic tubing, which is fire detection equipment.

Q. I gather, then, that the City of Pittsburgh does not, so

far as you know, permit direct connections into the Fire Department, but does permit auxiliary type systems?

A. That's correct.

* * * * * * *

[fol. 4272] Q. Would you tell us, briefly, what use is made of a telephone answering service in the normal business?

A. Well, it is used the same as a central station type of alarm. They relay the signal back to the telephone answering service girls that are on duty relay it to the proper channels for immediate attention and service.

Q. Do you know what companies a person would go to to get that sort of service here in Pittsburgh?

A. Ace of Spades, and I believe Cauley.

Q. Do they operate in the heart of the city?

A. Yes, they do.

Page 63

Q. There are some business organizations that have their own minds made up about what kind of protection they should have and they will go along using a local alarm service even though in your opinion they would be better served by, say, a central station service?

A. There are.

Q. Or they would be better served by watch service?

A. Well, generally they segregate the watch service completely. I think the whole industry, retail and industry itself, the trend is toward the central station and the alarm type of protection compared to the watchman type of protection.

[fol. 4273] Page 64

Q. As far as you know subscribers to watchman service do get some discount on their insurance premiums, do they not?

A. I believe they do.

Q. Subscribers to your local alarm service also do, do they not?

A. I believe they do.

Q. And to the remote station or direct connected service?

A. Yes, they do.

Q. And to the auxiliary type service?

A. Yes.

Page 67

By Mr. Fritz:

Q. Mr. Lugen, did you bring with you sample copies of the contracts used by you in your protective business?

A. We did.

Q. Will you produce them, please?

Mr. Huss: Now you are taking about the central station?

Mr. Stewart: No, this is a general contract for all.

The Witness: That's a central and local.

Mr. Stewart: Central and local, which we changed

Page 68

to fit the conditions.

Can this be off the record? I'm not sworn, of course, [fol. 4274] could this be off the record?

Mr. Huss: This is off the record.

Mr. Fritz: If Mr. Lugen tells us that he will adopt your statement I will be satisfied with that.

Mr. Stewart: Well, I don't know that this has to be in the record, because we are in the process of looking at our contracts to see whether there should be a general contract or one for all different aspects of the business. Now, we have not made a decision, so this, as now, stands as our Fidelity Electronics Protective Service contracts.

Mr. Fritz: That's the one currently in use?

Mr. Stewart: Yes, sir.

Mr. Fritz: Would you mark this as Defendants'—what are these, numbers or letters?

Mr. Story: I think mine are numbers and yours are letters.

Mr. Fritz: Mark this as Defendants' Exhibit A, please.

(Thereupon, Defendants' Exhibit A was marked for identification.)

Page 95

In this city we only have Cauley, Ace of Spades, myself, A D T and Holmes that I really know that are actively doing—and Gamewell, excuse me—that are actively doing

[fols. 4275-4279] Page 96

installations.

Q. You still sell local alarms, do you not?

A. Oh, yes.

Q. And you do encounter some subscribers who will take the local in preference to some other type of service such as your watchman or your central office service?

A. Yes, we do.

Q. Some of those are people that you would regard as central office service protection?

A. No, I wouldn't because of the financial status. If

Page 97

their business would grow with them, I would say maybe at a later date they could be considered. But these are smaller individuals and stores and all that.

* * * * * * *

[fol. 4280] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 339

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY and AUTOMATIC FIRE ALARM COMPANY, Defendants.

Deposition Of JAMES H. McDOWELL, Central Station Signals, Inc., 53 West 23rd Street, New York, New York

Page 2

Q. Please state your full name for the record.

A. James Henry McDowell.

Q. What is your home address, sir?

A. 200 East 57th Street, New York City.

Page 3

Q. What is your present employment?
A. Central Station Signals, Inc., 53 West 23rd Street.
Q. What is your position with that company, sir?
A. President.
Q. In what state, sir?
A. New York
[fols. 4281-4283] Q. Would you name for us, sir, the other officers of the Central Station Signals Company, Inc?
A. James Hugh McDowell, vice-president; Lawrence C. Forman, treasurer.
Q. Would you briefly state the nature of your company's business?
A. We are in the central station fire alarm and burglar alarm business. That's the main function.
Q. When was your company established, Mr. McDowell?
A. It was organized in 1936. December.

* * * * * * *

[fol. 4284] Q. Do you have any direct connected alarm systems within New York City?
[fol. 4285] A. It is not allowed. None.

* * * * * * *

[fol. 4286] Q. Mr. McDowell, could you tell us the period of time for which you execute your Central Station protection contracts?
A. They're mainly five-year contracts. The great majority are made for five years.
Q. Could you tell us the approximate percentage of your contracts, your central station contracts, that are executed for five-year periods

Page 17

at the present time?
A. I would say—what percentage?
Q. Yes, sir.
A. I would say 80%.
Q. Is there any reason why your company would execute a contract for a lesser or a longer period?

[fol. 4287] A. Well, on burglar alarm, yes. We don't try to get five-year contracts.

Q. What is your company's policy concerning the period of time that you would like your central station burglar alarm contract written for?

A. Two to three years, sometimes a year.

Q. Is there any reason why you make a distinction between your fire alarm subscribers and your burglar alarm subscribers?

A. Yes.

Q. What is that reason?

A. We want to get rid of burglar alarm. It's costing us a lot more than we get for it. Why, that way if we can get rid of them and throw them out, we do so. We do that right along.

• • • • • • •

Q. Mr. McDowell, from whom does your company purchase the devices and equipment it uses in its central station protection operation?

[fol. 4288] A. Mainly we manufacture it all. We do buy some burglar alarm stuff.

Q. Could you name those companies for us, sir?

A. Ademco. They're over in Brooklyn. Mosler Safe; Walter Kidde.

Q. Where is that company located?

A. In Jersey.

Q. That's in New Jersey?

Page 23

Q. Mr. McDowell, does your company retain title to the protection systems that your company installs on the subscribers' premises?

A. That's right, we do. The insurance companies require it and we have to maintain it all all times. If anything goes wrong we have to whip it out and put in a new one for which there is no charge.

Q. What insurance organization requires that your company retain title to these central station protection systems?

A. All insurance companies.

Q. What about your insurance organization which have

inspection and supervision over approved central station operations; do they require that title be retained by the Central Station Company?

A. As far as I know they always have, yes, especially on [fols. 4289-4290] burglar alarm, you know. All locals and central offices have to be owned by the approved company. All they do with us, they say nothing about the equipment we put into a plant. It's only the service. They send us a letter—of course, on burglar alarms you pass out certificates if it's approved, and on sprinkler and supervisory and all

Page 24

that, it's just a service. "We hereby approve your service on that building." It has nothing to do with equipment. All the equipment has to be approved by the Underwriters' Laboratories.

Q. I'm talking about the ownership of the protection system. Is that required by any regulation of any of the insurance organizations having jurisdiction that you know of?

A. I have always understood that we had to maintain the ownership of all the equipment. That's my understanding ever since I have been in the business.

Q. So far as you know, there is no written regulation or instruction concerning that ownership?

A. I think there is with the burglar alarm. I'm sure there is.

Q. Where would that be found?

A. In the Underwriters' Laboratories.

* * * * * * *

[fol. 4291] Q. Mr. McDowell, to what distance from your central station can you render central station protective service?

A. I think we could handle 40 miles in Long Island and we go up into Westchester.

* * * * * * *

Q. Generally speaking, what would be the average distance where you could effectively service these contracts?

A. Well, I can't tell. On the new apparatus we are getting out we could give service up to 150 miles. On the new stuff that's coming out now we can do that.

Q. Tell us about it, sir.

A. Yes. It's a new way of carrying signals over the lines. You see, ordinarily it's the resistance of the line that holds you back from going further, but with this new apparatus you can go 100 miles or 200 miles.

Q. By the use of telephone lines?

A. Yes, sir, by the use of telephone lines or air, either one. It wouldn't make any difference. You see, it's different [fols. 4292-4293] there. As long as you have a connection you can pretty much receive the signals on this new stuff. It's very scientific stuff so don't

Page 28

ask me to explain it. I don't even know. But they work on phones and frequencies and stuff like that, you see. It's quite different from the McCulloh system we ordinarily use.

Q. Is any of that equipment being used at the present time by central stations to your knowledge?

A. ADT is using it and they have experimental stations and we, as an association, have erected one and it's operating now in Milwaukee. It goes away out. That's through the air.

Q. By means of radio transmission?

A. Yes. Through the air. This is new stuff. You see, it's going to allow us to go further out all the time in all these small towns where it don't pay to have a central office at all. We can provide central office service in those towns because it will come right into the central office in the main cities, like New York.

* * * * * * *

[fol. 4294] Q. Mr. McDowell, in the event that one of your central station protection contracts is terminated by the subscriber, does your company remove any equipment from that subscriber's premises?

A. We take out anything that's useful, sure, anything that we can use over again.

[fols. 4295-4296] Page 31

Q. Do you take anything other than so-called salvageable material out of these premises?

A. No. No.

Q. Does your company remove wire and foil or conduits?

A. No.

Q. Would wire conduits and foil have any salvageable value to your company in the event you removed it from an old subscriber's premises?

A. No. You could not use it over again. You couldn't use that, but transmitters would be removed and switches like that, that could be used over again. Things like that.

• • • • • • •

[fol. 4297] Page 35

Q. Have any of your central station burglar alarm people discontinued and utilized local burglary alarm service to protect their premises?

A. I believe so.

Q. Have you had many such instances?

A. I could not say how many. I'm sure there must have been some. Even on fire, too, they have gone back to watchman service.

Q. Have you had many such accounts?

A. Many? No.

Q. Can you think of the names of any of the companies which have discontinued central station service and employed local alarm service, burglar alarm service to protect their premises?

A. No.

Q. Since you have been in the central station burglar alarm business, have you installed central station systems in any premises which were formerly protected by local burglar alarm systems?

A. Oh, yes.

Q. Could you tell us approximately how many in the last five years?

A. I don't know how many, no. I don't know how many. [fol. 4298] But I know we do. A fellow has robberies

Page 36

with a local system and he says, "I need central office," so he puts in central office.

Q. Does that occur very often?

Mr. Fritz: I object to the form of the question.

A. I think it occurs right along. It occurs right along.

Q. Since you have been in the central station protection business, have any of your central station subscribers discontinued central station service and asked your company to install a direct connected or remote station alarm system for them?

A. No.

Q. Since your company has been in the central station protection business have any of your central station subscribers discontinued that service and asked your company to install auxiliary alarm service?

A. No. Auxiliary, you know—that's where you connect to a Gaiswell box. We have very few of such things. We do have one I know of, down in New Hyde Park, but we have very few. Mostly all of ours come in by direct lines to our central office in New York.

Q. Mr. McDowell, since you have been in the

[fol. 4299] Page 37

central station protection business have any of your competitors submitted a second bid or bid against your company for a central station account and taken the bid on a second bid?

A. I would say yes.

Q. Has that happened often?

A. That's regular competition.

Q. Have any of the subscribers where you have submitted a bid told you at any time that your bid was lower and that you would get the contract only to find that he told you later that he received a second bid from one of your competitors?

A. I'm sure that has occurred. I'm sure.

Q. How did you hear about it?

A. It occurred during the war on government contracts.

Page 38

Q. How did you hear about that?

A. From the subscriber.

Q. How often do you hear it?

A. I suppose every salesman tries to do that on every job. That's regular competition. If they're allowed to put in another bid to underbid you, they do it. I suppose we do it too. That's in every line of business. Those fellows are out to get a job no matter what.

[fols. 4300-4302] Q. Mr. McDcwell, within the last ten years have you had any meetings with any representatives of the American District Telegraph Company or the Grinnell Corporation or the Automatic Fire Alarm Company?

A. Yes.

Q. Would you tell us the circumstances under which you met with these gentlemen on the last occasion?

A. It was up in the New York Athletic Club that we had a conference. They wanted to buy our company.

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[fol. 4303] Q. Would you tell us what company and when you first were approached by any of these defendant companies to purchase your company?

Mr. Fritz: I object to the form of the question. It assumes where the approach came from or who made the approach.

Q. You may answer.

A. It would go back many years.

Q. How many, sir?

A. 20 Years.

[fol. 4304] Q. Did you attempt to sell your company to these defendant companies or did they approach you?

A. They approached us.

Q. Could you tell us how many different occasions you have been approached in the last 20 years for the purpose of the defendants purchasing your company?

Mr. Fritz: I object to the question in that is goes back of the year 1951, which is the cutoff date with respect to this action.

Page 43

A. May I answer?

Q. Yes.

A. I've always known that we could sell to them and—

Q. Sir, I think my question was: Can you recall how

many times you have been approached for the purpose of selling your company to any of the defendants, the number.

A. Do you mean definitely, a definite proposition, or do you mean just—you must remember that we belong to the same golf club, Tom Drew and myself.

Q. To the best of your recollection, how many times has Mr. Drew talked to you about purchasing your company?

A. He has said "Why don't you sell out to us?" You mean——

Q. Yes.

A. 500 times.

[fol. 4305] Mr. Brown: Off the record.

Mr. Story: Off the record.

(Discussion off the record.)

Q. Mr. McDowell, could you tell us, since you have been in business here, how many serious approaches you have received from any of the defendants concerning

Page 44

the purchase of your company?

A. I think you have them right there. That's all we can find.

Q. When was the first serious approach, sir?

A. Look at the letters there.

Q. I'll hand them to you.

A. These are definite.

Mr. Story: The witness refers to Government's Exhibits 3 through 6.

Q. Now, sir, going back to 1957, tell us the circumstances under which you were approached to sell your company?

A. I remember Mr. Drew told us he would like to buy our company and I said "All right. If you want to buy our company, give us a definite proposition."

Q. Where did Mr. Drew approach you concerning this deal?

A. I think it was up at Sleepy Hollow.

Q. What is that?

A. A country club.

Q. It's your golf club?

A. Yes.

[fol. 4306] Q. After you told Mr. Drew to give you a definite offer, what happened thereafter?

Page 45

A. Well, he gave us the definite offer and we turned it down.

Q. In what way did your company turn it down?

A. Well, it was not enough money.

Q. Did you have meetings with other officers or members of your company in connection with considering this offer?

A. Certainly.

Q. After the decision had been made you relayed that to Mr. Drew?

A. That's right.

Q. When was the next approach by any of the defendants to purchase your company?

A. Is the date down there?

Q. You may look at this correspondence.

A. 1959. February of 1959.

Q. After your conversation with Mr. Drew in 1957, did you at any time meet with the representatives of the Grinnell Corporation or the American District Telegraph Company or the Holmes Company?

A. The American District Telegraph Company and the Holmes Company never made me any offers.

Q. Did the Grinnell Corporation make you the offer? Did you talk to anyone from Grinell?

[fol. 4307] Page 46

A. Yes. Mr. Clapp.

Q. Is that Mr. Roger Clapp?

A. Yes.

Q. What position does he hold with the Grinnell Corporation?

A. He's a lawyer for them. I don't know what he is. They can tell you. He's an attorney, though.

Q. Did you at any time meet with any other representatives of the Grinnell Corporation?

A. You mean about this here?

Q. About the purchase of your company.

A. No.

Q. Did you ever meet with Mr. Fleming, where the purchase of your company was discussed?

A. Yes.
Q. Where was that, sir?
A. In my office.
Q. What is Mr. Fleming's position with the company?
A. He's president of Grinnell.
Q. Can you tell us under what circumstances he was in your office?
A. Yes.
He called me on the telephone and said

Page 47

he was going to be in New York on a certain day and that he would like to drop in and see me. I made the appoint-
[fol. 4308] ment. He dropped in. I showed him all through our plant. He said at that time, "Maybe you're not ready to sell now, but at some future time, when you are ready, we are in the market to buy, I think."
Q. In point of time was that before or after you received your first formal offer from Mr. Drew of the Automatic Fire Alarm Company?
A. I think it must have been before. You see, the years pass too fast. I think it was before.
Q. Thereafter, did you meet at any other time with Mr. Fleming concerning the sale of your company?
A. That's the only time that I met with him regarding the sale of the company.
Q. You mentioned a moment ago that you met with Mr. Roger Clapp at one time.
A. Yes.
Q. Where was that meeting?
A. New York Athletic Club.
Q. When was the meeting held, sir?
A. It was February of 1959, I think.
Q. Who was present at this meeting, sir?
A. Mr. Clapp, Mr. Smith.

Page 48

Q. Who is Mr. Smith?
A. He's the lawyer for the Automatic Fire Alarm Com-
[fol. 4309] pany. Mr. Drew was there. Our controller, Bruno Alferi, and Hugh McDowell, my son, and Larry Forman.

Q. This meeting was held at the New York Athletic Club?

A. That's right.

Q. Tell us what took place at this meeting.

A. We talked over their offer and that was the first time and we turned it down. It was too complicated, their offer. Then they came back with another offer after that.

Q. Did you have another meeting after the first one?

A. I don't recall if we did or not. They came back with another offer.

You started suit when?

Q. In 1961, April.

A. The deal was just going through then. You cheated us out of a lot of money.

Q. Did you have a definite price which you were considering at that time?

A. A definite price was agreed upon.

Page 49

Q. The officials of your company had decided to sell the company to what other company?

A. To Automatic Fire Alarm Company.

Q. Was there an agreement drawn up to that effect?

A. I don't know.

[fol. 4310] We had passed on it as the board of directors and 90-some percent of the stockholders had agreed to it.

Q. About what time or when had your company agreed, that the majority of your stockholders agreed?

A. Just before you started your suit. In fact, the sale would have gone right through if you had not.

Q. After the government started that lawsuit, did you hear from any of these representatives?

A. Yes.

Q. What were you told?

A. That the government had started the suit and that the deal could not go through.

Page 50

Q. Have you had any conferences with any of the officers of the Grinnell Corporation at their general offices in Providence, Rhode Island?

Mr. Fritz: I repeat the objection.

A. Well, I went up there.
Q. When was that, sir?
A. That would be about five years ago.
Q. What was the occasion of your visit up to Providence?
A. Well, we had—there was a price war on—

Mr. Fritz: I move to strike that statement. I think it's a conclusory term.

Q. Tell us, sir, what was going on here at that time in [fol. 4311] New York City?
A. Well, business was being taken far below cost.
Q. By Whom?
A. By the Automatic Fire Alarm Company and by ourselves. We had to either take it or leave it, so we took some.

Page 51

It was at a loss, far below cost.
Q. How long did that price situation continue here prior to the time you went—
A. We had it twice in the last ten years. It lasted for a year or two at a time.
Q. Tell us why you went up to see the Grinnell people?
A. I went up to see Mr. Fleming to say "What is to be gained by taking business at a loss?" I said, "We're going to continue to take it at a loss as long as you do."
Q. Where did you meet with Mr. Fleming up in Providence?
A. In his office.
Q. Was there anyone present with you?
A. Mr. Clapp.
Q. Anyone else from your company?
A. No.
Q. After you made your statement to Mr. Fleming what did he say? Tell us the substance of conversation thereafter. A. He didn't say anything. It was general conver- [fol. 4312] sation but he made no commitments of any kind, none whatever.

Page 52

Q. Did you ask him for any commitments?
A. No, I didn't ask him for any commitments at all. I

just simply said how ridiculous it was to take business below cost. What was to be gained by it? He didn't give me an answer.

Q. Why was your company taking business at a loss at that time?

A. Because they were. I simply was not going to allow them to think they could drive me out of business.

Mr. Fritz: I move to strike the last part of that answer having to do with what the other company would think about.

Mr. Story: Your objection is noted.

Q. How long did this conversation last in Mr. Fleming's office?

A. I don't Know. Half an hour or so.

Q. Did you accomplish anything by this trip up to talk to Mr. Fleming and Mr. Clapp?

A. Nothing.

Mr. Fritz: I object to the form.

Q. Did they make any statements to you as to what they were going to do or whether they were going to do anything about your statement?

[fol. 4313] Page 53

A. No.

They said that we were the ones that were taking business under cost and therefore they had to take it. You know what I mean.

Q. What did you say to that, sir?

A. Well, I said that we tried to take business where we could make a profit and that's what any good business firm should do. That's what I told them.

Q. Is there anything else that took place at this meeting that you can recall?

A. No.

You see, I had been in the automatic sprinkler business for over 40 years and I knew most of the officials of Grinnell Company over those years and we sell Grinnell. We often wondered why the Grinnell Company buys from us. He said, "I don't try to tell our branch offices how to run their business. If they want to buy from you they can buy from you." That exactly what he said.

We talked about the sprinkler business, you know. It was general at that time.

Q. After your visit with Mr. Clapp and Mr. Fleming in Providence, and I think you stated it was about five [fol. 4314] years ago——

Page 54

A. I would judge so, yes.

Q. —did the pricing conditions change in the New York area?

A. No. I wish they had. They didn't.

Q. Are they still the same today?

A. No, no.

I think perhaps a year or so later they found out how much money they were losing through this senseless thing—

Mr. Fritz: I move to strike your speculation as to what the other company may have concluded.

A. I don't know. All of a sudden they asked for better prices and we did so, too. There was no arrangement.

Q. How soon after your meeting with Mr Fleming and Mr Clapp did the price competition here in New York improve?

A. A year or so later.

Q. Have those improved prices continued to date?

A. That's right. That occurred twice.

Q. When was the other occasion when that took place?

A. Around 1960.

Page 55

Q. Around 1960?

A. Yes.

[fol. 4315] Q. Tell us what occurred in about 1960.

A. Well, the prices got pretty bad and, well, the same thing occurred. I never saw Fleming or anything, but, after a certain length of time they raised their prices and we found out that they were raising their prices so we raised our prices.

* * * * * * *

[fol. 4316] Q. Mr. McDowell, can you tell us what the fi-
[fols. 4317-4319] nal offer to your company which was accepted was? What was the amount of the final offer?

A. I think it was three million eight.
Q. $3,800,000?
A. Yes.

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Page 58

Cross-examination.

By Mr. Fritz:

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Q. Mr. McDowell, I understand from your direct testimony that you do have some subscribers to remote station service?
A. Yes. 28.

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[fol. 4320] Q. Approximately how many local alarm companies are now making connections of their customers to your central station?
A. All of the principal ones.
Q. Can you tell me approximately what number?
A. No, I could not.
Q. Are there as many as ten local alarm

Page 62

companies?

Mr. Brown: He said just now he couldn't tell you.

[fol. 4321] A. There was an awful bunch of them.
Q. If I mention names of some companies could you perhaps tell me—
A. I think so. Most of the good companies do.
Q. Do you know of the New York Merchants Protective Company?
A. Yes. They have the largest number.
Q. Could you give me an approximation of the number?
A. No. I don't know. It would run a couple of hundred anyway.

Q. Do you know of the Supreme Protection Company?
A. A very good company.
Q. Do they have such connections?
A. Yes.
Q. The Eagle Burglar Alarm?
A. Yes.
Q. The Eastern District Burglar Alarm?
A. Yes.
Q. Thompson Signal Devices?

Page 63

A. Yes.
Q. ABC Burglary Alarm Company?
A. Yes.
Q. General Burglar Alarm Corporation?
A. I don't know. Who is that? You don't know them, do you?
Q. I don't.
A. I don't.
[fol. 4322] Q. Triboro Burglar Alarm?
A. Yes.
Q. Burglar Alarm Engineering Co.?
A. No.
Q. Certified?
A. Yes.
Q. Do they have more than one—
A. I think so.
Q. Central Electric Alarms?
A. I don't know about that. Maybe they are. There are so many of them.
Q. Do I understand from your earlier testimony that Abercrombie & Fitch have that type of protective system?
A. Yes. Owl is in there on burglar alarm.
Q. Do you know of any other establishments

Page 64

here in the city? Can you name any others which have such protection?
A. No. Into a telephone answering?
Q. I'm speaking now of these owners who have local burglar alarm installations plus a connection to your central office. Do you know the names of any business establishments which—

A. That are connected into our office, our central office?

Q. Yes.

[fols. 4323-4324] A. Do I know any of them?

Q. Do you know of any outstanding examples? For example, Macy's.

A. Macy's yes.

Q. United Parcel Service?

A. They used to. I think they're in Owl now. We have supervisory—sprinkler supervisory. There is American Tobacco Company—oh, I don't know how many of them.

Q. Mr. McDowell, had you included the revenue on that you receive from that type of contract in the revenue on that sheet?

A. Yes. There is a total you wanted, right?

Q. Yes.

Page 65

A. Yes, sure.

Q. That's included in the central station revenue figure that you provided for Mr. Story?

A. Yes.

Q. Are you able to separate it out?

A. Let me see, Yes. Approved fire alarm jobs, 2200; burglar alarm jobs, 1,000; 100 out of a thousand are certified. You want to separate what?

* * * * * * *

[fol. 4325] Q. You mentioned that you do have some remote station subscribers.

A. On burglar alarms?

Q. That's what I wanted to know. Are they burglar or fire?

A. Fire.

Q. Are they located within that area in which you render central station service?

A. Yes.

Q. They are within a 40-mile radius?

A. Yes. In Long Island and in Westchester.

* * * * * * *

[fol. 4326] Q. Do the subscribers to your police alarm service receive insurance premium discounts?

A. No. None at all.

Q. Do they qualify for the discount accorded for local burglar alarms?

A. Some of them, yes. They can get a local discount, yes.

• • • • • • •

[fol. 4327] Q. Are those the discounts that are in effect here in New York City, those contained in the green manual?

A. That's right. Those in the manual. There is very little difference between the local and the central office and that's what we are fighting for, is to get a bigger difference between the locals and the central office.

Q. The discount is approximately the same?

A. No. But it is not much different. We got a meeting on that coming up now with the burglary council to make a difference.

Page 74

A. We manufacture about everything.

Q. Do you manufacture local fire alarm systems?

A. Yes.

Q. Do you install local fire alarm systems?

A. No.

Q. Are these local fire alarm systems which you manufacture automatic systems or manually operated?

[fol. 4328] A. Automatic.

Q. To whom do you make your sales?

A. Some of them are manual, of course.

Q. Do you make sales of those systems to electrical contractors here in New York City?

A. Yes.

Q. Do you make sales of those directly to owners of premises?

A. Yes.

• • • • • • •

Q. Do you know the kind of premises in which such systems are installed?

A. Sure.

Q. Could you tell me briefly?

Page 75

A. Airfields, army camps, hospital areas, every kind of government installation and naval installation, and then we sell to electrical contractors.

Q. Do you know what sore of establishments they put those systems into?

A. Sure. Oak Ridge—

• • • • • • •

[fol. 4329] Q. Did I understand you to testify on direct
[fol. 4330] that you have had subscribers to central station

Page 82

service who cancelled their contracts and engaged watchmen?

A. Yes. I'll tell you where it happens. See, the government on account of security reasons, they want a watchman 24 hours a day, a lot of them. You can't even approach the place. Where they had central office they dropped the central office and they got the credit from the watchman. A lot of them kept their central office even though they had that, too. It's a job getting in and out for our monthly inspection service.

• • • • • • •

[fol. 4331] Q. I understood your direct testimony to be that there were two serious offers to purchase your company.

A. Yes, two.

Q. Did I also understand correctly—

A. Maybe three.

Q. Did I understand that those offers—

A. Three, I think.

Q. Did each of those come from Automatic Fire Alarm?

A. That's right.

Q. You mentioned the name of Mr. Roger Clapp in connection with these dealings having to do with the purchase of your company?

A. That's right.

Q. Do I understand properly that his only connection or meeting with you was at that New York Athletic Club?

Page 84

A. That's right.

There may have been two. I'll say there was one definitely. We turned down the first offer. It didn't work out. [fol. 4332] They were buying the contracts, whereas on the second offer they bought the stock in which they got everything that we had, and that offer is the one we accepted.

Q. By "accepted" you mean that your board decided to accept it?

A. Yes. At the time, had it not been for the government suit, you would be unscrambling them now.

I want to add this——

Mr. Fritz: We don't have a question outstanding now.

A. Every offer made by the Automatic was with the proviso that the government would allow it. I think that ought to be told. Every offer was made with the proviso if they got the okay from the government.

Q. Were not all of these offers also subject to approval by counsel of the respective parties?

A. Yes.

Mr. Fritz: May we have this catalog entitled

Page 85

"Complete Automatic Protection Services Central Station Signals, Inc." marked as Defendants' Exhibit F. (Catalog, above described, marked Defendants' Exhibit F for identification.)

By Mr. McInerney:

Q. From your prior testimony I take it that Grinnel [fols. 4333-4334] Company never made a serious offer to buy your company.

A. Nothing serious, no. He said he would. When he got ready to sell, he would be a buyer.

Q. That was the conversation you testified to previously and that was in the nature of "If you ever want to sell, let us know" type of comment?

A. That's right. That's all.

Page 92

Q. You mentioned in your cross-examination that you were participating before the National Bureau of Casualty Underwriters in a discussion to get a higher discount for central station burglar alarm service?

A. That's right.

Q. When was that discussion instituted or when did it start?

A. About three years ago.

• • • • • • •

[fol. 4335] Q. I think you mentioned in your cross-examination that there

Page 95

were many companies that were either selling or installing alarm systems in the Greater New York area.

A. You mean locals?

Q. Any kind of alarms.

A. Sure.

Q. How many would you guess, sir?

Mr. Fritz: I will object to that.

Q. How many would you estimate based on your experience?

A. 100. Look up the yellow pages.

Q. Are you in competition with that 100 companies?

[fol. 4336] A. Well, I would say this: every company, a client puts in a local alarm, is in competition with us. Our rates have to be higher but they're in competition with us.

• • • • • • •

Page 96

Once a fellow gets central office, ordinarily he doesn't want any more locals.

Q. Why not?

Mr. Fritz: I object to that. It calls for the working of another person's mind.

A. Because of the difference in service which is so terrifically different. You can understand that where a fellow

just has a little bell that goes tinkle, tinkle, when they break into the place and they cut off the local alarm and they don't have anything, don't you see, compared to the central office, where if anything happens to the wiring or anything we get a signal in central office and we send our guards and we sent the police, you can not compare [fols. 4337-4340] that with a local, could you?

There is more central office all the time because of that. A fellow has three or four robberies and the insurance company says "I won't insure you any more unless you have central office."

Q. Have you acquired any central station burglar alarms because insurance people required that they have a central station as distinguished from a local alarm?

A. All the time.

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[fol. 4341] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 340

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants

Deposition of KENNETH S. MCFARLAN, JR., Republic Alarm Company, 329 Martel, San Jose, California.

Page 2

Mr. Fritz:

Q. Would you state your full name and residence address, Mr. McFarlan.

A. Kenneth Sumner McFarlan, Jr., 2077 Willister Street, San Jose.

Page 3

Q. What is your occupation, Mr. McFarlan?
A. I am co-owner of Republic Alarm Company.
Q. Is that a corporation?
A. No; it is a partnership.
Q. You have other partners?
[fols. 4342-4343] A. Yes, sir.

• • • • • • •

Q. What is the place of business of Republic Alarm?
A. 329 Martel, San Jose.
Q. What in general is the nature of the business of the company?
A. Installation, maintenance, servicing, of fire, burglar and associated signalling systems.
Q. How long has your firm been in business in that business?
A. Since 1949.

• • • • • • •

[fol. 4344] Q. Are you presently engaged in anything but local? Are you also engaged in central station?
A. We are engaged in what is referred to as type central station.
Q. Type?
A. Type. By that, the central station or facilities that we use for a central reporting point is not listed by the Underwriters Laboratory.

Page 6

Q. What is that reporting point?
A. That is on 260 Vine Street.
Q. What is the nature of that receiving or reporting point?
A. It's a telephone answering and radio dispatching facility with whom we share space.

• • • • • • •

[fols. 4345-4348] Q. What in general is the geographical area or territory of your overall operations?

A. Well, we concentrate primarily on the greater San Jose area. This would include Mountain View, Sunnyvale, Santa Clara, Los Gatos, Campbell, Saratoga, and then we would work as far south as Salinas and Monterey, and, of course, Santa Cruz, and as far to the north as Palo Alto, Redwood City. That's about the extent of it.

Q. In terms of distance, and I am only asking this as

an approximation, what do those points that you mentioned represent, radiating from San Jose?

A. Well, a maximum of approximately 110 miles.

Q. In any direction?

A. Well, this would be maximum from one extreme to the other. A maximum of 80 miles south and possibly 25-30 miles to the north.

• • • • • • •

[fol. 4349] Q. Is there any other type of fire protective service that your firm furnishes to customers beyond and outside of the direct connected type?

A. Yes, we furnish local fire protection service.

Q. What does local consist of?

A. It consists for the most part of signalling systems capable of alerting the occupants, for purposes of evacuation in case of fire.

• • • • • • •

[fol. 4350] Q. Am I correct in assuming that with respect to most of your protective service, you operate under some written contract form?

A. That is true.

• • • • • • •

[fol. 4351] Q. Are these three forms that you have handed me, Mr. McFarlan, the forms which have been in use by your firm ever since it began business?

A. With very minor modifications.

Q. Without taking the time to read each one of them,

may I ask: Does each of them contain the provision that the equipment installed on the subscriber's premises except in the instances where you make an outright sale, shall remain the property of your firm?

A. Except in the first contract. I believe it is the

Page 29

one on the top which is designed primarily for local alarm sales of fire alarm systems to homes, rest homes and what-have-you. That is a sales contract.

Q. I tried to except the outright sale. Apart from that, in connection with your purely protective service agreements, is the provision that all the equipment on subscriber's premises shall remain the property of your firm?

A. That's true.

Q. Has that been true ever since you started in business?

A. Yes, it has.

* * * * * * *

[fol. 4352] Q. Where do you get the equipment that you use in connection with the fire protective service that you render?

A. The majority of it comes from the Notifier Manufacturing Corporation.

Q. Of Omaha?

A. Lincoln.

Q. Lincoln, Nebraska?

A. Yes, sir.

Q. How long have you been buying from Notifier?

A. For six or seven years.

Q. Do they have a sales representative here in San Francisco?

A. Yes, they do.

Q. I take it they sell their equipment to various other individuals, groups, corporations, furnishing fire protective service?

A. Yes, they do.

* * * * * * *

[fols. 4353-4356] Q. Is Notifier the sole source that you have had resort to for this type of equipment?

A. No, we also buy from Central Station Signals.

Q. New York?
A. New York City.
Q. Anyone else?
A. And the reeve Electrical Company, and From Potter Signal Device.
Q. Is this all fire equipment?
A. This is all fire.
Q. How about burglar?
A. Burglar, we buy principally from Alarm Devices Manufacturing Company, Brooklyn, New York, and from Imperial Products Manufacturing Company in Long Island City, New York, and then also a little from Walter Kidde Company, Potter, and I believe that's about the extent of it.

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[fol. 4357] Q. In connection with your operations over [fol. 4358] the years, have you been in competition—by that, I mean, have you submitted bids to get the business of potential subscribers—against A.D.T., California Burglar Alarm, Evco and the other people that you have mentioned?
A. Yes, we have.
Q. In come instances have you succeeded in getting the contracts, and in some instances have they succeeded in getting the contracts that were being sought?
A. That's correct.
Q. Do you know offhand of contracts which you have gained as against A.D.T. in competition with them over the years?
A. I know of a few where it was known that A.D.T. was bidding, and that we were bidding, and when we got the contract, I knew that they didn't.
Q. What type of service were they?
A. Some local burglar alram service, non-approved; some central office burglar alarm protective service; some automatic fire alarm service, and some sprinkler supervisory service.

Page 43

Q. Could you give me the names of those that come to your mind at this time, where you have been successful in obtaining these contracts?

A. We have been successful in the case of International Business Machines Corporation.

Q. Is that one installation or——

[fol. 4359] A. Several installations.

Q. Where are they located?

A. San Jose.

Q. What type of service?

A. Fire. Let's see—fire alarm and supervisory service.

Q. Next?

A. Going back quite a ways, trying to just hit a few that I'm sure of, Paterson Pacific Parchment Company.

Q. San Jose?

A. Sunnyvale.

Q. Sunnyvale?

A. Sunnyvale. Personal Products Corporation, Sunnyvale.

Q. What types of service involved here?

A. In the case of Personal Products, burglary and water-flow supervision. Paterson Pacific Parchment, that's burglar, and water-flow supervision.

Keystone Manufacturing Company in Santa Clara, burglary and water-flow supervision.

Page 44

Pacific Press and Publishing Association in Mountain View, water-flow supervision and automatic detection.

Sequoia Mill, and now in Redwood City—not that they moved, but by virtue of annexation—water-flow supervisory service. Bank of America, their computer building in San Jose, automatic fire alarm.

[fol. 4360] Western Pump Company in San Jose, automatic fire alarm. Now, there are, more recently, since I have been made aware of it—this would be since the advent of their central station in San Jose—they have solicited a great deal more, and I have become aware of their soliciting.

Q. This was December of '59, I think you said.

A. '59. Oh, quite a few local alarm systems. One very recent one was Blum's Department Store in San Jose, Burk's Luggage in San Jose, Wildcat Sport Shop in Los Gatos, and these are rather insignificant little, minimum accounts, and there have probably been numerous others of which I have no direct knowledge.

Of these I have mentioned, I have firm knowledge; I know for a fact that we were in competition.

Q. You got the contracts?

A. Yes. I somehow have a way of forgetting the ones that we didn't get the contracts.

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[fol. 4360a] A. Right. Also, if we make our estimate conservative and he goes in for a request based on this conservative estimate, and we come up with a higher figure, it makes him look pretty bad. So, on the basis of the estimate [fol. 4361] it was insicated that we were in a good position.

Now, when they called for final bids on the thing, the engineer involved insisted that he knew I had already been through the plant, and he knew that A.D.T. hadn't, so he insisted that their salesman or sales engineer, whoever he might be, go through the facility with him, the engineer from IBM, and make sure that nothing is overlooked; that there can be no problem come up at a later date.

Well, we didn't know this, or we didn't know that.

At this time, when they went through, the A.D.T. salesman mentioned that on the estimate they had missed many, many things, and that it was a good thing he was going through it, because had he not they probably would have grossly underestimated the job.

Page 53

When they finally opened the bids and let the job, it turned out that A.D.T. had reduced their bid figure something substantially below what their estimate had been.

Q. Excuse me. Was it a salesman who went through the plant, or was it an engineer?

A. I'm not sure whether it was a salesman or an engineer or a sales engineer.

Q. You don't know?

A. I don't know, but the engineer at IBM exhibited a [fol. 4362] great deal of surprise on his own behalf, that the sales engineer for A.D.T. had considered the estimate to be way low. Yet, when they came up with the final bid, they were much under what the estimate had been.

Of course, by this time a competitive situation had devel-

oped between A.D.T. and ourselves, where they didn't want us to get any of this business they were losing. IBM is a nation-wide account, and they didn't want this to happen at all costs.

Q. And it did?

A. Well, of course, we don't have them over the country.

Q. In this particular case—

A. They got the job.

Q. A.D.T. got the job?

A. A.D.T. got this particular job.

Q. Do you have any idea how the figures—I guess you

Page 54

probably don't based upon what you told me—which A.D.T. submitted on their bid as distinguished from their estimate compared with your bid figures?

A. No, I would have no idea, except by the astonishment exhibited by the engineer at how much lower the bid price was than the estimate price. He indicated that it wasn't just a small amount; it was substantially lower, which I [fols. 4363-4365] construed to be on the order of thirty or forty per cent.

Q. Who was that IBM engineer?

A. Miller—Everett Miller.

Q. Do you know whether the system they got was the system that originally was requested, upon which the estimate was based and upon which the bid was based?

A. Yes. The specifications for the estimate were the same as those for the bid.

Q. Did you tell me when it was that this occured?

A. This occured approximately between one and a half and two years ago, because at the time it occured A.D.T. had opened their central station, but it had not yet been granted approval.

Q. What else did you tell Mr. Levy about—

A. In connection with IBM, they called about two years ago for a revision of their proprietary alarm system at the main plant facility in San Jose.

Q. Was this prior to the bidding on this particular

Page 55

installation in San Jose that you just referred to?

A. Yes, it was. At the time A.D.T. had a proprietary system installed in this facility.

Q. This one was located where?

A. San Jose. This is the main plant site that we are talking about now.

• • • • • • •

[fol. 4366] A. From the IBM engineer, Mr. Francis, who is in some managerial capacity in the San Francisco area with A.D.T., and I believe Bill Adams, who is the

Page 57

local salesman in the San Jose area, called on these people at IBM to see if there wasn't something they could do to eliminate the system that we had installed and get it back to an A.D.T. system. They went so far as to offer to purchase from IBM the equipment that IBM had bought from us, in an effort to eliminate us, not only from our present status but from the possibility of getting any future installations. You see, all of the buildings aren't yet completed.

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[fol. 4367] A. Well, in keeping with my remarks about my attitude—I think I can say that the whole frame of thought was set by an A.D.T. executive in 1956, a man by the name of Mr. Walter Dooley, who was then the assistant general sales manager out of the New York Office for A.D.T., visited San Jose and called and said he would like to meet us and get acquainted.

[fol. 4368] So, I picked him up at his motel, and we went to lunch.

Page 63

Shortly after getting in the car he started prefacing his reasons for our meeting, and he explained that a businessman friend of his boss had contacted his boss in New York and explained that in this area, which was Northern California, there was an alarm company who had wished to dispose of its business, and that they were of such a nature that they thought A.D.T. might be interested, so he was sent out here, and after looking around the area he could

find only one company in the Northern California area of such a caliber and stature that A.D.T. would be interested, and that that was us.

I had more or less imagined that this might be an approach on the possibility of buying us out, so I stopped him at that point and explained that we weren't interested in selling, so it must be a mistake, it must be some other company.

Then he dropped the guise and talked directly about the possibility of buying us out. Well, why wouldn't we, and had we ever had an offer, and what kind of an offer would be entertained, and so on.

I told him that we would entertain no offer; that the business was developing to a point now where we felt we could make it grow and make it develop into something [fol. 4369] truly worth while, something worth, certainly, far more than any purchase price might be at that time.

We discussed—it was a rather friendly conversation—

Page 64

we discussed numerous things. By this time we had arrived at the restaurant where we were going to have lunch. He explained that he was out here also for the purpose of making a central station prospective customer survey, and he had heard that we were contemplating opening a central station, and I explained that we were.

He said that that wouldn't be a good idea, because A.D.T. was going to open their central station, and that San Jose just wasn't large enough for two central stations.

I spent most of my time listening; very little time talking, because it seemed that he had a lot to say.

He went on to explain that the way A.D.T. operated, being a big company the way they were, that they could operate virtually any way they wanted to within any local area, by virtue of spreading profits from other areas to the particular area in question, and that in San Jose, for example, they could operate well below their normal rates for whatever period of time it was necessary to eliminate the competition.

In fact, he said, "I'll go so far as to say that you open [fols. 4370-4371] your central station and we'll open our

central station, and in two years I'll guarantee you there will be only one."

So, you can see that this sort of sets a frame of thought for subsequent events.

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[fol. 4372] Q. Is there anything else, Mr. McFarlan?

A. Well, there are numerous other smaller things, but I think less significant.

One interesting point, I think, concerning the general area of competition; on quite a few occasions in the past year or year and a half I encountered competition from A.D.T. on local alarm sales, per se, and they have offered the services for essentially the same minimum

Page 67

prices that we give the service for. The interesting part of this is, at a luncheon meeting with Mr. Francis and Mr. Lyle Strauss, about three months ago, Mr. Francis and Mr. Strauss both emphasized the point that A.D.T. is not in any way interested in any local alarm systems; that they are only interested in central alarm systems. In this connection, Mr. Dooley also suggested that if we could work out some kind of agreement whereby we would not open a central station, that they would refer all of the local alarm work to us if we would refer to the central station work to them.

[fols. 4373-4374] Q. What you are saying, as I understand it, is that within the last year—year and a half—you have found that A.D.T. has been seeking local alarm protective service subscribers in competition with you?

A. That's correct.

• • • • • • •

[fol. 4375] Q. You understand the situation, don't you?

A. Correct.

At this same meeting, in Mr. Strauss' vagueness in discussing the complaint, I mentioned that in my ignorance of what the complaint really was, it should seem to me that the government should be interested in the areas where A.D.T. was trying to suppress and otherwise restrain trade,

and eliminate competition. He looked at me rather surprised at this point, and I explained that he had asked or he had said that he hoped we would express ourselves honestly, and that was precisely what I was doing.

[fols. 4376-4378] He said, "Well, by all means go ahead. I mean, what are you referring to?"

Whereupon I related—we happened to be in the very same restaurant—Bohannon's Restaurant—where this thing had taken place six months before. I related the whole episode to him, and they both registered a great deal of surprise at the rates involved and at the methods Mr. Adams had gone to or had made use of in an effort to secure this account.

Then, from this, we led into our areas where Adams had been soliciting for local alarms, where, again, understand, this wasn't in the nature of a complaint, but in other words I feel they have a right to solicit local alarm work just like we do, but I had been led to believe they weren't interested in this. Because of this I was a little concerned, and he reaffirmed that he was himself surprised, because as a matter of nation-wide policy A.D.T. was absolutely not interested in local alarm service, except in accommodating a national subscriber who may have a facility that only required a local alarm temporarily.

* * * * * * *

[fol. 4379] Mr. Story:

Q. Mr. McFarlan, do you know what Mr. Dooley's position with A.D.T. was at that time?

A. He was, I believe, the assistant general sales manager.

[fol. 4380] Q. Does it reflect his position on the card?

Mr. Fritz: That title is on the card, I will agree with that. That is what the card says.

The card says "Assistant to General Sales Manager."

* * * * * * *

Q. Prior to your talk with Mr. Dooley, did you meet A.D.T. in competition on strictly local alarm subscribers?

A. I would have to say that we met them competitively, but very often they might have been trying to sell a central,

while we were trying to sell a local, or possibly while we were trying to sell either a local or central they were trying to sell central only, I have indirect knowledge.

• • • • • • •

[fol. 4381] Q. I understand, sir, that in some instances you sell outright the protection system that is placed on the property owner's premises. Is that correct?

[fol. 4382] A. This is true in the case of fire and sprinkler supervisory systems.

Q. Which does your company prefer, to sell the equipment or to lease it?

A. In the case of fire systems, frankly, we prefer to sell it.

Q. Have you offered to sell any of your alarm systems to subscribers, in an effort to overcome the statements which have been made about your company?

A. Yes, we have.

• • • • • • •

[fol. 4383] Q. Let me ask you this, sir: When you sell the automatic fire alarm systems or your protection equipment on a sprinkler system, is it possible for those subscribers to obtain insurance rate reductions?

[fol. 4384] A. Yes, it is. With regard to insurance reductions on fire alarm systems, there is no reference made to who owns the equipment; only to the inspection and maintenance contract by a recognized firm.

Q. When you put in a system where you have sold the protection system to the subscriber, are any of those systems inspected by the various insurance organizations having jurisdiction?

A. Yes, they are.

Q. What organizations?

A. By the Pacific Fire Rating Bureau, Factory Insurance Association and Factory Mutual, Incorporated.

Q. Why are those inspections made, sir?

A. They are made as—well, initially, in the installation of fire alarm systems, an inspection is made by Pacific Fire

Rating Bureau if they have jurisdiction to document the fact that the system is installed, operating and complete insofar as the standards are concerned.

This is also true to some extent in the case of Factory Mutual and Factory Insurance Association. However, the latter two organizations are much more of a policing group than is the Pacific Fire Rating Bureau.

Pacific Fire Rating Bureau is essentially concerned with establishing rates, while Factory Insurance Association [fol. 4385] and Factory Mutual are concerned with maintaining certain conformity insofar as hazards are concerned.

* * * * * * *

[fol. 4386] Q. Since A.D.T. has been operating an accredited central station in San Jose, have you lost any prospective subscribers because you could not furnish certified protection service?

A. Yes.

Q. In how many instances has that happened?

A. It happened in one case just two weeks ago.

Q. What was that case?

A. It was with an organization called GEM (speeling) G-E-M. It's a rather large discount type of operation. We had submitted bids, along with A.D.T.'s bids. As a matter of fact, when we were first called to give a survey on both burglary protection and fire alarm protection, the man very simply said, "It's a matter of price. It's either going to go to you or it's going to go to A.D.T.,

[fols. 4387-4388]

Page 84

so keep a sharp pencil."

I called to ask questions concerning the proposal, and at that time I asked how we looked on the job, and he says, "You look very good. Looks like you're going to get it."

I waited about 10 days or two weeks, and I called him back to inquire if any further developments had taken place, and he said, "Yes. Unfortunately they had to give the job to A.D.T."

I said, "Why?"

He said, "Well, we were told by our insurance underwriters that we had to have central station service, and they would accept nothing less."

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[fol. 4389] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 341

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

against

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants

Deposition Of PETER J. NEUMANN, Albany Protective Service, 99 Jay Street, Albany, New York

Page 3

Q. Mr. Neumann, please state your full name for the record?
A. Peter Joseph Neumann.
Q. What is your home address, sir?
A. Round Lake, New York.
Q. Do you have a street address there?
A. Post office. It's a small village.
Q. What is your present occupation?
A. Owner of Albany Protective Service.
Q. And what is the address of that company?
A. 99 Jay Street, Albany.
Q. What type of business organization is the Albany Protective Service?

A. We deal in what is known in the trade as an alarm and signal systems.

Q. Is this company incorporated or is it——

A. No, d/b/a, individual ownership.

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[fols. 4390-4391] Q. Now, starting in 1935, did you have your own business or did you work for another company?

A. In 1935 we started our own business in October.

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[fol. 4392] Q. Mr. Neumann, at the present time, do you engage in any type of electric protection service other than central service protection service?

A. Yes, we do. In fact, the majority of our service is of that nature—are of that nature right now.

Q. What types do you engage in at the present time?

A. They are known as local systems, proprietary systems and auxiliarized systems in addition to direct wire systems.

• • • • • • •

[fol. 4393] Q. Now, in addition to the American District Telegraph Company, do you have any other types of companies rendering any type of alarm service here in Albany?

A. Yes, we have, I believe, four other companies rendering local service—what is known as local service and also telephone answering connected service.

Q. Would you name those companies for us, sir, and tell us the type of alarm service that they are engaged in?

A Well, there's a Padua Alarm Company, Cohoes, New York.

Q. What type of alarm systems are they installing?

A. They're engaged in local and police connected systems. There is an Ace Alarm Company in Schenectady and they're engaged in local mercantile and police connected stations. There's Guardian Signal Company and they're engaged in local alarms only and there's a Tri-City Alarm Company engaged in local and police department connections.

Q. Mr. Neumann, what is the policy of your company concerning the period of time for your central station pro-
[fol. 4394] tection service contracts?

Page 17

A. Usually five years unless the subscriber has a short term lease.

Q. What percentage of your present central station supplied with contracts would be for the five year period?

A. Ninety percent.

* * * * * * *

Q. Mr. Neumann, who are your major suppliers of protection devices and equipment which you use in your central station operation?

A. Potter Electric Signal and Manufacturing Company, Saint Louis. Central station is Signals Incorporated, New York City. Walter Kidde Company, Belleville, New Jersey. Alarm Device Manufacturing Company, Brooklyn and Alarm Signals Incorporated, Pearl River, New York.

Q. Mr. Neumann, does your company manufacture or assemble any of the devices which you use in connection with your central station operation?

[fol. 4395] Page 19

A. I would say that we do not manufacture any basic equipment. However, we do assemble component parts which is known as screens, rectifiers and small control panels.

Q. Are any of these devices which you manufacture or assemble for sale to others in the trade?

A. No.

Q. You manufacture or assemble for your own operation?

A. That's correct.

Page 21

Q. Fine. Mr. Neumann, does your company retain title to the protection systems which you install on your subscribers premises?

A. For central station, yes, and for some locals—for most locals, I should say.

Page 31

Q. Has your company ever received the contract for a central station protection system in a premise which was previously serviced by central station protection service by the American District Telegraph Company?

A. Yes, we have.

Q. Have you had any such instances within the last year or two where that has happened?

A. Yes, we have.

[fol. 4396] Q. What was the names of those companies?

A. Well, in one instance it was the Morgan Linen Company and in another instance, Winthrop Sterling Drug.

Q. Now, on the Morgan Linen Company, after you had received that contract, did you make any effort to purchase certain portions of the alarm system which A.D.T. had installed in these premises?

A. Yes, we did. We made a special effort to purchase a section of piping which was cut to fit this high pressure steam boiler.

Q. In what way did you make that effort to purchase this equipment?

Page 32

A. Well, our foreman asked the A.D.T. foreman on several occasions before any removal was attempted, that if they wouldn't possibly leave this piping intact in view of the fact that it involved working on Saturdays, number one, to remove it and again working on Saturdays to replace it.

Q. Why was it necessary to work on Saturdays, sir?

A. Because it was the only day the boiler could be shut down and the steam pressure removed so it could be worked on.

Q. And what type, was this a special type of piping on this boiler?

A. It was standard plumbing, that is, plumbers' pipe but it was cut to fit with special fittings and elbows that were adaptable only to this particular installation.

[fol. 4397] Q. Were you successful in purchasing this piping from the American District Telegraph Company?

A. No, we were not.

Q. Did the American District Telegraph Company remove the piping?

A. It was subsequently removed and had to be replaced by us.

. . . . . .

Q. Did the American District Telegraph Company remove the piping from this boiler?

A. Yes, the American District Telegraph Company sent their mechanics on the premises on a Saturday at which time the entire section of piping was removed.

Q. Did they remove the other devices and wiring for this alarm system?

A. Every piece of equipment was removed by the American District Telegraph mechanics.

[fol. 4398] Q. And your company's efforts to purchase this piping and wiring was not allowed by the American District Telegraph Company?

Mr. Williams: Objection as to the form of the question.

A. No, we received no promise at all or any indication that they would entertain the thought of selling.

Q. Was this the first time when your company attempted to purchase certain portions of alarm systems where your company was installing an "A" alarm system and A.D.T. was removing an "A" alarm system?

Page 34

A. Yes, I believe it was the first time we made a direct approach to purchasing this equipment.

Q. Subsequent to that time, have you attempted to buy special equipment or portions of the A.D.T. alarm when your company was installing a new system?

A. No, we have not.

Q. Let me ask you this, sir: This pipe that was removed from this Morgan Linen Company, would it have any salvage value?

Mr. Williams: Objection as to the form of the question.

Mr. Story: (Continuing)

Q. You may answer it.

A. I don't believe it would. It was cut to fit the particular

boiler. Very seldom do we get an instance where you use [fol. 4399] the same length of pipe, the exact inch or half inch—to the exact inch or half inch.

Mr. Williams: I'm going to enter an objection and ask that the answer be stricken and the witness has no knowledge of what use, if any, could have been made by any of the defendants in this case of a piece of equipment that was removed from the premises. His answer is pure speculation and ask that it be stricken.

Page 35

Mr. Story: Your objection is noted, sir.
Mr. Story: (Continuing)

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Q. Mr. Neumann, take the last ten years, have you converted any of your local burglar alarm systems to central station alarm systems with your company?

A. Yes, we have.

Q. Approximately how many have you changed from local alarm systems to central station systems within the last ten years?

A. Conservatively, 50 such systems have been changed.

[fol. 4400] Q. Now, sir, since you have had your approval from Underwriters Laboratories to conduct Grade A and B central station protection service, how many of your central station protection subscribers had asked your company to discontinue central station service and ask your company to install local burglar alarm service?

Page 36

A. I don't believe anybody in their right mind would ever ask to be changed back to a local system after they have had central station.

Mr. Williams: I object to that answer and ask that it be stricken and let's get a proper answer to the question.
Mr. Story: (Continuing)

Q. Have you had any, to your knowledge, that asked your company to discontinue central station protection service and install local alarm service?

A. No, there's never been a request for a change or never has a change been made.

Q. Now, sir, since you have been conducting approved central station protection service, have any of your central station subscribers ever asked you to discontinue central station service and ask you to install a direct connected alarm system?

A. No.

[fol. 4401] Q. Since your company has been conducting approved central station subscribers ever asked you to discontinue that service and replaced your service with watchmen?

A. No, we've never had that question come up. None.

Q. Since you have been in the central station protection business, have any of your central station subscribers ever asked you to discontinue that service and install a proprietary alarm system?

Page 37

A. No.

Q. Since you have been in the central station business, have any of your central station subscribers ever asked you to discontinue central service station and install auxiliary alarm service?

A. No.

Q. Has your company in the last ten years installed a local burglar alarm system in the premises of any one who previously had A.D.T. central station protection service?

A. Yes, we have.

Q. You have?

A. Yes.

Q. Approximately how many such instances in the last ten years?

A. Four.

Q. Now, to make sure I understand you, that's sub-

[fol. 4402] scribers where you installed a local burglar alarm system in place where A.D.T. had previously had central service station protection?

A. I'm very sorry, I misinterpreted the question. There was none.

Q. Do you know approximately how many central station protection subscribers A.D.T. has in Albany?

Page 38

A. I don't know.

Q. Mr. Neumann, prior to the time your central station operation had the approval of the various insurance organizations, did you lose any prospective—any prospective central station subscribers because you could not render approved central station service?

A. Yes, we lost several.

Q. How did you lose those subscribers, sir?

A. Well, in checking with their insurance companies our prospective subscriber at the time was given the information that our service would not be acceptable for insurance credits which eliminated us from the bidding at the particular time.

• • • • • • •

[fol. 4403] Q. Mr. Neumann, since you have been conducting approved central station protection service here in Albany, have you attempted to bid for the protection services of any companies where your company was not allowed to submit a bid?

Mr. Williams: I'll object to the form of the question.

Mr. Story: (Continuing)

Q. You may answer it.

A. There was at least four specific instances where we were advised that our bid would not be considered inasmuch as these companies had a nation-wide contract with the American District Telegraph Company.

Q. What were the names of those companies?

A. Fuller Brush Company—excuse me—Fuller Brush you have—Eastern Tablet Corporation, William Frear [fol. 4404] Company in Troy, the G.E., Government Employees Exchange in Latham, and I have here a letter indicating the fact. And McKesson Robbins Company.

• • • • • • •

A. Can we strike Frear from that list submitted?

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[fol. 4405] A. In other words, we were advised by the G. E. X. that their company had a contract with A.D.T. which is placed out of their Kansas City office and arrangements were made with A.D.T. for the service desired.

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[fols. 4406-4407] Q. Have you on any instances allowed a subscriber to pay the installation charge over a period of time?

A. At the present time we have to do this in practically all of our

Page 42

installations when we're bidding in competition. In other words, we have to amortize the installation over the period of the contract.

Q. Do you competitors allow subscribers to amortize the installation charge over the period of their contract?

A. Yes, they do.

Q. How long have your competitors been allowing this amortization over a period of the contract?

A. I can't give you the exact information but I would say over the past three years in direct competition with us.

Q. Well, why is it your company's policy to get a lump sum payment on the completion of the installation?

A. Well, frankly, we're not in a position to amortize it. We don't have the capital, try to get our labor costs and other minor costs out at the completion of the installation.

Q. Sir, how do you know your competitor, the American District Telegraph Company, allows subscribers to amortize the installation charge over the period of the contract?

A. We have been advised by this—of this condition by several of our subscribers.

• • • • • • •

[fol. 4408] Q. I believe you mentioned this morning that there are four companies in this area that are in competition with you furnishing local burglar alarm and police call connections, is that correct?

A. That's correct.

Q. And that one of these companies furnished a form of

telephone answering alarm service?

A. That's correct.

Q. Which company is that, sir?

A. Ace Alarm Company.

Q. In furnishing central station burglar alarm service, sir, and considering now just the subscribers premises, do you use very much similar devices as you would in furnishing local burglar alarm service?

A. I would say in some instances—in most instances.

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[fol. 4409] Q. I take it, that your firm has had no difficulty in obtaining the alarm equipment that you use in furnishing service to subscribers?

A. No, we have not, from the suppliers mentioned.

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[fols. 4410-4413] Q. What type of businesses do you protect by central service station?

A. Well, it's mostly referred to, again, I believe in our trade as mercantile.

Q. And what does that generally—what do you think of when you think of mercantile?

A. Well, retail stores, warehouses—I wouldn't say factories—trucking terminals and so forth.

Q. What type of business do you protect by means of local burglar alarm systems?

A. The same type.

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[fol. 4414] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 342

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition Of EPHRAIM B. OBERLANDER, Protection Alarms, Inc., 725 West Main Street, Peoria, Illinois.

Page 4

Q. What is the address of Protection Alarms, Inc?
A. 725 West Main Street, Peoria.
Q. Mr. Oberlander, are you connected with any other companies here in Peoria?
A. Yes, I am.
Q. Would you name those companies, please?
A. I am also president of Oberlander Electric Company and Guard

Page 5

Services, Inc., both of which have the same business address.
Q. Mr. Oberlander, what is the nature of your protection company business?
[fol. 4415] A. The protection company's business is that of installing electrical and electronic devices and equipment in customers' or subscribers' (as we call them) premises, to protect their properties and to—Well, let me repeat that: To provide a fire detection and burglary detection for the subscribers. In most cases locally they are connected to a central office where we maintain an operator

who receives the alarm indicating that there is some trouble or intrusion on the premises. The operator in turn summons assistance from the police or firemen or maintenance men according to whatever the situation may be.

Q. Now, sir, in what area does your protection company operate?

A. Perhaps I first better answer by saying there are two categories of operation: One is customers or subscribers are connected to the central station that I just described by private leased lines, and the other where the equipment is installed in the customer's

premises and sometimes connected only with a loud ringing bell, and in some cases to the Police Department and Fire Department in the local communities in which they operate. Now, in direct answer to your question where do we operate, generally within about twenty-five miles of Peoria it's possible for us to operate and connect subscribers to our central station.

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[fol. 4416] Q. Mr. Oberlander, would you name for us the officers of your Protection Company?

A. Yes. I am its president, Ephraim Oberlander. Mabel K. Oberlander, my wife, is vice-president and director, and my son Dallas is secretary-treasurer.

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[fol. 4417] Q. Now, sir, is there any other alarm company of any kind operating in the Peoria area, to your knowledge?

A. Yes, there are.

Q. Would you name them for us?

A. I'm not sure that I know their name. I believe he calls himself Electro-Security which is a proprietary operation and we don't get into much contact with him. He has a few alarms which are known as a local type where there are no connections to anything except a bell on the building.

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[fol. 4418] Q. Now, Mr. Oberlander, after receiving this letter did there come a time when you met with Mr. DeSchane?

A. Yes, his letter to me set a date on which he would be in Peoria and he invited me to join with them at the Jefferson Hotel and he also invote my two sons to have lunch with them.

Q. Now, who was present at that meeting from the American District Telegraph Company?

A. Another man by the name of Frixell and a man by the name of Joe Kline. I know his name is Kline and I believe his first name is Joe, and Mr. DeSchane.

Q. What was his position at that time?

A. Well, Mr. DeSchane, while I didn't know these people, but he indicated that he was a sales manager of some kind.

Q. Where was he from?

A. St. Louis. All these men were from St. Louis.

Page 32

Had you known any one of these individuals prior to this meeting?

A. I had met Mr. Kline and Mr. Frixell prior to this meeting. Mr. Kline would represent them from time to time in Peoria and would confer with us about the installations on plants. I had met him previously three or four times - not too frequently, but a few times, and Mr. Frixell, I think I had met him once at a rather large plant when he was here in Peoria.

[fol. 4419] Q. Now, where did this lunch take place?

A. At the coffee shop at the Jefferson Hotel.

Q. And were your two sons Dallas and Orlo present during this luncheon?

A. Yes, they were.

Q. Now, sir, would you tell us as best you can recollect what tool place at that luncheon meeting?

A. Well, the principal topic of conversation was about our going into the central station business and that they weren't happy about it. DeSchane did most of the talking and sometimes one or the other of the other men would make some remarks to augment Mr. DeSchane's statement, but Mr. DeSchane indicated

Page 33

that he felt there wasn't enough business in Peoria for business for two alarm companies, two central station alarm companies is what he was referring to, and he tried to discourage me from going into business.

Mr. Williams: I am going to object to that and move it be stricken. Let's have the conversation. Do you agree to that?

Mr. Story: I have no objection.

Q. Mr. Oberlander, what did you say if anything to Mr. DeSchane when he told you that in the City of Peoria there was not enough business to support two central stations?

A. I told him I thought there was.

[fol. 4420] Q. Now, what else do you recall you said to Mr. DeSchane during this meeting?

A. I told Mr. DeSchane that I wanted to go into the alarm business and I knew many people in businesses in Peoria and I was confident that I could get the business that I wanted. I also told him I didn't want his business or A.D.T.'s business. I had no intention of taking any accounts from him or even contacting any of their

Page 34

accounts, but I also expected them to leave me alone and not bother my accounts. I told them I would get my own business, I didn't need their business.

Q. What did Mr. DeSchane say to that?

A. He said there wasn't enough business for both of us, that they had been in business for a good many years and I don't recall the exact wording, but he indicated it was hardly profitable for them and that he just wanted to advise me of the pitfalls, that I shouldn't go into business and loss everything I had.

Q. What did you tell him in reply to that?

A. I would like to continue. He further said I couldn't make any money in this business and I told him I didn't need to make any money in this business, that I had another business feeding me and I could take my chances on this.

Q. Were prices mentioned during this meeting?

A. No, only to the extent that one of the men interjected [fol. 4421] that there would be price cutting. The intima-

tion was my company wanted to cut prices and ruin the market for such business and ruin the

Page 35

business or the A.D.T., and I told them I didn't intend to cut prices. I didn't know their prices but I was in business to invest and I intended to make money but I also knew I couldn't make money until I had been in operation a while and had a number of customers, that it was obvious in an operation of any kind that you have to make heavy capital investments whether you have one customer or two hundred customers. You have about the same amount of overhead and equipment investment, so I told him I would take my chances on it but I would not make money initially, I didn't think I would make any for five years, but I knew that I could make money eventually.

Then they suggested they could—one of the other men suggested they could cut their prices and keep me from getting any jobs and I told him he would be silly to do it, he had customers that he had to face. I asked him how he would justify this to existing customers, and I said to him frankly he would be revealing to them that they had been robbing them all these years if they attempted to cut prices, and I stated further that I favored

Page 36

prices at a level that would be profitable for both of us and there was no need for anyone to operate without a profit. No one expected it.

[fol. 4422] Q. Do you recall anything else said at that meeting?

A. Well, they stated that they were a large well recognized company and they didn't expect to have a price that would be below ours at no time. They stated if we were within twenty-five percents, not more than twenty-five percent below them they would be very happy because they could get the business on the merit of their reputation.

Q. What did you say to that?

A. I don't recall, I think it was just a general statement they didn't want me to cut prices, they didn't expect me to be higher than them. I remember one thing I said was if they got all the jobs then my prices must be too high and if

I got all of them—I said if they got all the business then my price was too high and then I said if my price is low then I would be getting all the business and I didn't feel that I could handle all the business. I wasn't looking for all the business. I just wanted a reasonable amount

Page 37

of work from people I could get. As to the setting of prices, in my mind I didn't know what the price was going to be because this was all new to me because we had only made one proposal and that was to the Journal and I had gotten advice from the alarm company as to how to price that. I was in no position to discuss prices except the general plan of price cutting would put me out of business economically which they said they would do or could do. He didn't say they would do it but said they could do it or implied they could do it.

[fol. 4423] Q. Now, sir, did they tell you anything as to the A.D.T. operations throughout the country on this business?

A. Yes.

Mr. Williams: I object to the form of the question.

Q. You may answer.

A. They stated that Peoria is just one city to them and they didn't have to make a profit in Peoria but they had a hundred and sixty cities in the United States, a hundred and sixty or hundred and seventy cities, that had alarm offices and they didn't have

Page 38

to make any money in the Peoria Office, that they could just ruin me economically. They told me generally I would be foolish to invest my money just to lose it. I think they made some remark in the end my customers would have to come to them anyway or something like that if I went out of business.

Q. After this luncheon meeting did the group at the luncheon go any place else or did you part with them at the hotel?

A. No, I didn't part with them. They asked whether they could see my central station and installation and I said, "Yes, they could. I had no objection."

Q. Well, did they go to your central station at that time?

A. Yes. I had my car right in front of the hotel and there were six of us got in my car and I drove over to the First National Bank Building where the central station was located at that time.

[fol. 4424] Q. Did you take them through your central station?

A. Yes, I did.

Q. Was there any conversation between you and the ADT representatives at your central station?

A. Nothing of any serious nature perhaps except that they com-

Page 39

mented on the nice new equipment, modern equipment, and in particular, the comment centered about the batteries and battery charging equipment being something very nice and one of these men, it wasn't DeSchane but one of the other men, made this remark, he said, "We would buy that whenever you are ready to sell," and I just didn't think he was serious about it. I just laughed it off as a joke because I knew what kind of equipment they had which was very delapidated and obsolete in their office. I had seen it.

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[fols. 4425-4428] Q. Now, after you had established your central station did there come a time when you received approval from any insurance organization for jurisdiction of the various types of central station protection service?

A. Yes, that's very vital. You don't really have central station for fire alarm work unless you have approval.

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[fol. 4429] Q. Mr. Oberlander, what items do you consider in determining what your installation charges will be for your central station installations?

A. We consider the cost of labor, materials and equipment.

Page 47

Q. Now, in your central station fire alarm systems, could you tell

Page 48

us what type of alarms have the approval of either the Illinois Rating Bureau or Factory Mutual?

A. One hundred percent of them.

Q. Mr. Oberlander, what is the duration of your company's central station protection contracts?

A. Usually five years, although we have made exceptions [fols. 4430-4431] where it is indicated that they may not be occupying the premises that long or something of that nature.

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[fol. 4432] Q. Mr. Oberlander, does your company retain title to the alarm systems which are installed in the subscribers' premises?

A. In most cases, yes.

Page 51

Q. Mr. Oberlander, where do you obtain your equipment which you use in central station operations?

A. We have equipment obtained primarily from four or five concerns.

Q. Would you name them for us, please?

A. Yes, the Potter Electric Signal & Manufacturing Company of St. Louis, Central Station Signals, New York City, Dayton Electronics which is not a manufacturer but we obtain some equipment through them as another alarm company. They are in Dayton, Ohio. We obtain material from the Walter Kidde Company of—I'm not sure. They have offices all over. It's New Jersey, I believe, most of it from Trenton, New Jersey,

Page 52

and we also obtain some materials from Ademco, and they are in New York. There are other minor suppliers.

Q. But the list you have given are the principal suppliers?

A. That's right.

Q. Mr. Oberlander, did you prepare at my request a statement as to the cost of that equipment and material

which was used in your central station operation for the last several years?

[fol. 4433] A. Yes.

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[fols. 4434-4435] (Note: See following page for above requested information)

Q. Mr. Oberlander, since you have been in the central station business here in Peoria have you had occasion to bid against the American District Telegraph Company for central station protection accounts?

A. Yes.

Page 53

Alarm Device Purchases
May 1, 1959, through April 30, 1962

	Year Ending 4/30/60	Year Ending 4/30/61	Year Ending 4/30/62	Total
Ademco, Inc.—New York	$ 104.16	$ 452.25	$ 77.10	$ 633.51
Central Station Signals—New York	-0-	103.82	5,000.46	5,104.28
Dayton Electronics—Ohio	-0-	624.50	2,041.57	2,666.07
Kidde Ultrasonic—New Jersey	370.68	2,007.73	1,509.66	3,888.07
Potter Electric—Missouri	10,061.52	10,724.87	6,769.13	27,555.52
	$10,536.36	$13,913.17	$15,397.92	$39,847.45

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[fol. 4436] Q. Mr. Oberlander, since you have been in the central station business here in Peoria have you attempted to bid on protection for any company which would not allow your company to bid?

A. Yes.

Q. What is the name of those companies?

A. One of them was the Spartan Company. That's a chain discount house.

[fol. 4437] Q. When did that incident take place?

Page 80

A. Well, that was in '61.

Q. And tell us the circumstances of your attempt to bid on this account?

A. We learned through building construction reports that Spartan was going to be building in Peoria. We contacted their offices and asked for an opportunity to quote. Nothing came of it. Once construction started our people called on the local representatives personally and wasn't able to get any details or wouldn't be furnished with any information to furnish a quotation. They said it was all handled at their home office. I believe it was a New York office and it was all taken care of. They didn't want any quotes.

Q. Did your company quote on this?

A. No, sir, we did not.

Q. Do you know the names of some other companies who would not allow you to bid on their protection service?

A. I don't know too much of the details. I did not make this contract personally, but I know that the Pillsbury Company was a concern, Pillsbury Mills, I believe, which we couldn't make a quote.

Page 81

Q. They wouldn't even allow you to bid on the protection service?

[fols. 4438-4439] A. No. And then there was another one that we weren't able to quote on. We were told that everything was taken care of at the home office and really they were not open for invitation for quotes—they didn't invite quotes.

Q. What company was that?

A. That's the Continental Can Company.

Q. When did that bidding take place?

A. That was either '61 or early in 1962. They have a new plant.

Q. Do those companies have protection systems today, to your knowledge?

A. I'm not sure of Pillsbury. I know Spartan and Continental Can do.

Q. What service do they have?

A. ADT.

Q. Mr. Oberlander, since you have been in the central station protection business have any of your subscribers

discontinued central station protection service and taken local alarm service or direct connected service with your company or any other company.

Page 82

Well, I can only answer for our company. The answer is no, no one has discontinued central station service in preference to a local service. I doubt whether that occurs anywhere. It could but I don't think that it would.

• • • • • • •

[fol. 4440] Q. Sir, does your central station firm have a schedule of prices for the furnishing of your central station service?

A. No, sir.

Page 91

Q. Did you ever have such a schedule of prices?

[fol. 4441] A. We have perhaps an outline of prices that would facilitate a salesman in the making of an estimate in preliminary discussions, however, the final prices are always decided after the survey has been made and all facts considered.

Q. Is that estimated guide in use today?

A. I would say yes.

Q. Do you have a copy of that estimate guide with you?

A. No, I haven't.

Q. I call your attention to Paragraph 2-F of the subpoena that was served on you calling for the production of documents stating pricing methods used and scheduling of charges for installation and service.

A. I described the pricing methods used. I stated that the schedule (or whatever you call it) was to guide a salesman rather than to establish a price.

Q. Is that schedule in use today, sir? Is it used by your company currently as a guide to your salesmen?

Page 92

A. Well, I suppose it is to the extent that it is intended for, but it doesn't establish the prices.

Q. It is used by your salesmen as a guide to them in arriving at the installation and annual service charges?

A. That's right. It could be about an installation covering so many doors and windows. There would be a basis [fol. 4442] that has been established it will fall between $350.00 and $400.00, but the customer doesn't see this nor does the schedule of prices determine the price.

Q. I understand.

A. We have no price list that states this unit costs so much or will be installed for so much.

Q. What do you mean by "unit?"

A. A window, a switch, a hold-up button. I can name a hundred.

Q. And your salesmen, I take it, are not guided in any way as to what they might charge as an average charge for the installation of a hold-up button?

A. No, sir.

Q. And then there is no guide to them as to what it would cost to foil a large show window?

Page 93

A. No.

Q. Well, how would you arrive at such a price, sir?

A. By making a survey and bringing the information back to the office.

Q. Ultimately someone must decide what the price is?

A. Yes, sir.

Q. Who does that?

A. Our supervisor. In this case it is my son Dallas.

Q. The salesman merely takes the necessary measure- [fol. 4443] ments and other information needed?

A. That's right.

Q. What does your salesman use to quote a probable price to the customers or potential customers?

A. I don't know. As near as I know he doesn't quote probable prices.

Q. It's always done on a two call basis: First he goes out and takes measurements and then comes back to the plant and works it out with your son and then goes back?

A. That's correct.

Q. What does your supervisor use to determine from the salesman's notes how much the charge should be?

A. Well, he has sort of a guide always where you might say an

average window or door would be so much or when he is talking to the customer he can determine whether or not he would be receptive within a price range he might have indicated it would take to bring the service in and determine just what can be done or what will be charged for the job. There are some factors that can never be determined in the field such as line charges. We wouldn't know until you check out the mileage to determine what the charges will be.

• • • • • • •

[fol. 4444] Q. I see. Now, you testified this morning, sir, of your meeting with Mr. DeSchane of A.D.T. and some other gentlemen?

A. Yes.

Q. Could you refresh me as to who was present at that meeting?

A. Mr. DeSchane, Mr. Frizell, Mr. Kline, Orlo Oberlander and Dallas Oberlander and myself.

Q. Was there any other person present at any time during that meeting who participated in it?

A. No, none.

Q. Mr. DeSchane, Mr. Frizell and Mr. Kline were the only representatives of A.D.T. present?

[fol. 4445] A. Yes.

• • • • • • •

Q. You testified this morning that at this meeting the suggestion of price cutting came up?

A. Yes.

Q. Who raised it?

A. A.D.T.

Q. Who?

A. I don't remember. I don't remember which of the gentlemen raised it.

[fol. 4446] Q. Can you tell us to the best of your recollection, sir, exactly what was said?

A. Price cutting was referred to in two different ways; the one

Page 103

was apprehensions they had we were in business to cut prices on them.

Q. You have no recollection of which of the three gentlemen said that?

A. No, I do not. I just recall the discussion amongst us, and we had assured them that was not our intention, that we were going in the business to make money if they would let us.

Q. Is that your recollection of the words you used?

A. Yes.

Q. What else was said?

A. We said we could get our own business at reasonable prices, that there was no need for us to cut prices, we didn't intend to, and the other area in which price cutting was discussed was when one of the gentlemen rather casually reminded us that they could bring economically pressure to bear by cutting prices.

Q. Who said that?

A. I can't tell you, I merely know it was one of these three men, and he said which they could do this because [fol. 4447] Peoria was only one city and they didn't have to have a profit in Peoria, they have other cities in which they could make their

Page 104

money in, and I told them they would be silly to do it, how could he face his customers, and I'm trying to think, it was Kline probably raised the question because he was a customers' representative here in Peoria.

Q. What else was said about prices?

A. Nothing that I can recall at the moment.

Q. Were any other aspects of central station business talked about at this meeting other than prices?

A. Yes, they talked about the economics of it, there wouldn't be enough business for two central stations to operate in Peoria.

Q. Who said that, sir?

A. I don't know, either one of the three gentlemen. They also pointed out I would have to cut prices to get business, and they were so well known and well advertised and that nobody could get business from them except by cutting

prices, and I responded that wasn't true, that I knew most of the business leaders in the community and that we had been well established in the electrical contracting business and we knew the architects and engineers and we knew the purchasing agents and many of

Page 105

these people were friends of ours and we didn't need to cut [fols. 4448-4449] prices, we didn't intend to cut prices.

Q. Did you discuss any other subject concerning central station business other than prices that day?

A. Such as what?

Q. Well, you were there, sir, I wasn't. Did you discuss any other aspects of central station business other than prices?

A. Only the economics of operating a central station and we were faced with a tremendous loss we would have to go through and they felt we shouldn't embark on our program, it was going to cost a lot of money and in the end we would lose everything and they in turn would have to pick up our customers.

• • • • • • •

[fol. 4450] Q. Now, at that meeting there were two things discussed; one was the cutting of prices in the alarm business and the other thing was the use of union labor, is that correct?

A. Of course, there was a pretty broad concept of things. They discussed our participation in the alarm business, [fol. 4451] they didn't want us to go into business, they wanted us to quit before we got in any farther.

Q. Who said that and would you give us his exact words?

A. I don't remember who said it. I am inclined to think it was Mr. DeSchane because he did most of the talking. He did seventy-five per cent or more

Page 109

of the talking. He was spokesman for the three.

Q. Let's have your best recollection of what he said exactly.

A. He said I'm wasting my money and my time, he said, "Don't go into this. You are going to lose your shirt." He

said, "There just isn't enough room for two of us in Peoria," and there were other things which I think I have stated here before, but in general he discouraged me to go in the business and I replied by saying that I wanted to go into the alarm business and I didn't have to make any money at it, I had another company that was making money and that I would live just the same.

Q. And what was his reply to that?

A. Well, the next aspect of the discussion involved around the matter of economics, that if I didn't cut prices I wouldn't get any business and if they cut prices I wouldn't get any business and about any way you looked at it I wouldn't have any business.

• • • • • • •

[fol. 4452] Q. This was a question of getting the job at all costs in order to get it?

A. That is correct. Under the circumstances if we lost this job A.D.T. would have (using a slang expression) made hay out of it because they were inclined to do [fol. 4453] that that. They were attacking our character every chance they had and they were attacking our integrity, our financial stability and everything they could do derogatory to keep us from getting the job and we had to get some job that we could point to with pride and say, "These people don't consider us in this light."

Q. Do you know what A.D.T.'s bid was to Keystone?

A. I do not. I never did learn.

Page 117

Q. So you made this bid without any knowledge of the competitive bid?

A. I had some knowledge of what the competitive bid would be because I knew of their famous formula of killing off competition where they cut their installation cost to 50% and the annual charge to 70% and sometimes less without authorization from New York, and I was aware of that and I saw that from that point on they were out to use these tactics. These talks about staying higher didn't hold water. They weren't sincere nor were they honest and perhaps never were, and they didn't intend to do what they said they were going to do when they talked to us at the

[fol. 4454] Jefferson Hotel, that we wouldn't have to be but within twenty-five per cent of them and they would be satisfied. They did prove by this job they were perfectly willing to cut below us at any cost, and that was further borne out when they offered—when they came back a second time—which would be a third time with Keystone.

• • • • • • •

[fol. 4455] Q. Has your firm ever experienced any difficulty in obtaining the type of alarm equipment that it felt it needed to provide service?

A. No. The only instance we had any difficulty was in an area where we had a service maintenance contract with a customer who owned an A.D.T. alarm receiving panel. This was in a governmental installation. This alarm receiving panel needed repair parts which were to be furnished the government by A.D.T. in order to render the alarm system to perform satisfactorily. It took A.D.T. eleven months to get the necessary parts to get this alarm system to perform satisfactorily.

• • • • • • •

[fol. 4456] A. I want to go farther than that. We had a one year service maintenance contract on it and we were unable to get the parts to repair this recorded on this receiving panel until the last month of our contract.

Q. Did you order those parts directly from A.D.T., sir?

A. Yes.

Q. They were not ordered through the government?

A. I'm not certain. I believe we ordered directly from ADT.

Page 134

Q. You have never had occasion to remove equipment from the subscriber's premises?

A. I beg your pardon. No, there have only been a few given it up where they vacated the premises or changed location.

Q. Have you left the equipment on the premises to try to sell to the new tenant?

A. Yes.

[fol. 4457] Q. Have you ever removed any equipment?

A. Yes, we have.

Q. What is the policy of your company should a person not renew his contract on expiration and doesn't desire to renew it?

A. Would you repeat that?

Q. I'll try to make it more clear: Suppose you had a subscriber to central station contract expiring.

A. Yes.

Q. And he desired not to renew the contract.

A. Yes.

Q. Did you or would you remove the equipment from the premises?

A. Yes. You are assuming, you mean, he is continuing to occupy the premises?

Q. Yes.

A. Yes, that's right.

Q. Do any of your subscribers or have any of your subscribers paid the installation charge to your company over a period of time rather than lump sum?

A. Yes.

Q. What is the longest period of time that you would [fols. 4458-4460] such a payment to be made over?

A. Well, I am speculating; the longest period of time so far has been the length of the contract for about five years. I would presume if we had a three year contract we would make it over the length of three years, or on a ten year contract it would be ten years. We were forced to do this because A.D.T. brought this on in the Keystone installation. We would prefer not to do it because we are not banks.

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[fol. 4461] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 343

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of ARTHUR T. ORNER, Morse Signal Devices, Inc., 6707 Carnegie Avenue, Cleveland 3, Ohio.

* * * * * * *

Direct examination of Arthur T. Orner

By Mr. Fritz:

* * * * * * *

[fol. 4462] Q. Would you be good enough to state your full name and address, sir?

A. Arthur T. Orner, 23971 Fairmount Boulevard, Beachwood.

Q. Are you connected with the Morse Signal Devices, Incorporated?

A. I am.

Q. In what connection?

A. Manager.

Q. Are you also a director?

A. Secretary.

Q. You are secretary of the corporation?

A. That's right.

Page 5

Q. Where is that company engaged in doing business?

A. In Cleveland.

Q. And the address, sir, is what?

A. 6707 Carnegie Avenue, Cleveland 3.

Q. How long have you been connected with the Morse Company, Mr. Orner?

A. Since 1946.

Q. And your general background by way of business experience has been what before you came with the Morse Company?

A. Not too much in business. It is in the professional [fol. 4463] field of psychology.

Q. Now, what, in general, is the nature of the business of the Morse Signal Devices, Inc., just in a general way?

A. The installation and maintenance of protective alarm systems.

Q. All of which, I take it, have as their object the protection of life and property?

A. That is true.

Q. When was this business established?

A. I don't know the exact date but prior to 1946. One of the companies originated in 1928, the S.D.A. Company, which later affiliated with Morse.

Q. S.D.A. Company?

Page 6

A. Signal Devices Alarm Company.

Q. And had the Morse company itself been in existence some years before you came with them in 1946?

A. Oh, yes.

Q. It goes back, anyway, always, I take it, prior to 1946?

A. Yes.

Q. Now, were there any other companies besides the S.D.A. Company affiliated or associated with the Morse Company?

A. Modern Alarm Company, and there might have been [fol. 4464] a couple of little ones before. I don't recall their names.

Q. Were these all separate, independent corporations?

A. No. The Modern and S.D.A. and Morse were.

Q. Yes?

A. And Modern has been merged with S.D.A. now.

Q. So, today the situation is what with respect to the companies?

A. Morse Signal Devices and S.D.A.

Q. And do they both operate from the address which you previously gave?

A. Yes.

Q. Now, what is the distinction in the types of business that the two companies do? You told us what Morse does.

A. Yes.

Q. What does the Signal Devices Company do?

Page 7

A. Signal Devices is engaged mostly in local systems.

Q. Is it engaged in the providing of local systems of alarms?

A. Yes, sir. It has also some central stations but primarily with locals.

Q. But also some central stations?

A. Yes, a few there.

Q. Has that, as far as you know, always been the nature [fol. 4465] of S.D.A. essentially, local, but, in part, central station?

A. Yes, as far as I know.

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[fol. 4466] A. Well, for instance, we have no chance to get any executive accounts or national accounts like Sears Roebuck, Winkelman Department Stores and others of that nature, where the executive accounts are handled directly by, as I understand it, an executive office, whether it is in New York or elsewhere, I don't know just where, that we have no chance at all of getting even a small in on them.

Kroger warehouse was another.

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[fol. 4467] Mr. Story: What did you say there?

A. Where we have attempted to bid on such national accounts like Sears and new stores, we have been told that there is no chance.

Q. You have been unsuccessful?

A. Well, because it has already been allocated, you see.

Q. In other words, they have already given their business to A.D.T.?

A. That's right. In other words, the inference being [fols. 4468-4469] that it came in through headquarters and the local firm had no power to give the job to anybody else but A.D.T.

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[fol. 4470] Mr. Fritz: I ask that these be marked for identification, four forms of contract and one form of work order.

Agreement for Morse central station automatic signalling services was marked "Defendants' Exhibit 4—Orner."

Agreement for S.D.A. central station automatic [fol. 4471] signalling services was marked "Defendants' Exhibit 5—Orner."

Agreement for S.D.A. local mercantile burglar alarm services was marked "Defendants' Exhibit 6—Orner."

Agreement for Morse local mercantile burglar alarm services was marked "Defendants' Exhibit
Page 70
7—Orner."

Work order was marked "Defendants' Exhibit 8—Orner."

Q. Mr. Orner, I notice from the forms of contracts, Defendants' Exhibit 4, 5, 6 and 7, that each of them contain a provision that the entire system, including all of the devices and equipment located on the subscriber's premises, remain the sole property of your company, is that correct?

A. That is correct.

Q. How long has such a provision been in your contracts,

Page 71

Q. What is the usual period of duration of your contracts?

[fols. 4472-4473] A. Five years.

Q. How long has that five-year period been the custom-

ary period of duration? How long have you used that?
A. Since I have been there.
Q. Since 1946?
A. Since 1946.

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[fol. 4474] Q. And coming down, then, to the question of prices, do you operate on the basis of any fixed standard schedule of prices for any of your protective services?
A. Well, we have something that we follow in the way of a formula.
Q. How is that formula applied, according to the different facts in each case?
A. Well, you have your burglar alarms, you have your openings, so-called, the points to be protected and method of adding them together and using that as your basis for pricing.
Q. Plus the usual elements of cost of materials and labor and profit?
A. Yes, which is computed in.

Page 81

Q. But is it correct for me to suggest to you that the [fols. 4475-4477] price is also like the service, more or less a customized or tailor-made thing rather than a fixed standard price?
A. I think we are going a little afield on the "customized." You can go a little bit too far.
Now, you have, if I may rephrase it, certain component elements which, brought together, will give you your total pricing, just like an automobile is made up of wheels, if you have a Corvair, it is different from a Chevrolet or Oldsmobile. It has four wheels and an engine, but the engine differs. Yet there are certain component parts like wire that is the same.
Q. But even with respect to the question of wire, the amount of that depends on the extent of the protection, does it not?
A. The size and the amount, that is correct, yes.
Q. So that the nature of the service as well as the price really depends on what you have to furnish the subscriber

to meet his needs, isn't that correct?

A. That part is true, yes.

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Page 85

[fol. 4478] Q. And about what is the radius for your central station in which you furnish service?

A. I would say under 20 miles, our central station.

Q. Yes?

A. For central station service.

Q. Central station burglary protective service, is that right?

A. Within 20 miles. That would be for fire alarms, too.

Page 88

Q. You told us this morning that your company is now engaged in the beginning of the manufacturing of devices of this kind, but up to the time that that started, I take it your company purchased the necessary actuating devices as well as the necessary central station devices, is that correct?

A. Yes, and we make some of it ourselves, too.

Q. And you make some of your own?

A. Yes.

Q. What sources have you purchased from over the years?

A. Ademco, Potter, wire from Rego.

Page 89

Q. Notifier?

A. Not too much. Kidde Company.

Q. Walter Kidde Company?

A. Yes. Radar Eye. I always forget the actual name. Ray Chapin.

[fol. 4479] Q. Well, in addition to those that you have mentioned, from whom you purchase, there are a great many other people in the field similarly supplying devices and equipment of this kind, isn't this so?

A. There are not too many like Ademco, but there are some.

Q. Edwards, for example, is another one?

A. Yes, didn't I mention that?
Q. I don't think you did. Reeves Electric?
A. Very little.
Q. But, I mean, they are in that field?
A. Reeves Electric is in that field, yes, certain times.
Q. Now, so far as your experience has gone with the company, have you had any difficulty in procuring the type of equipment and devices that you needed in the rendition of your service over the years?
A. From whom?
Q. From anybody.
A. Difficulty? No. Maybe delays in delivery, but no refusals.
Q. What is your company's practice, Mr. Orner, upon the termination of your service contract with respect to the removal of the equipment on the subscriber's premises?

Page 90

A. When the contract is terminated and no service is desired, no further service?
Q. That is right.
A. We remove our usable equipment.
Q. Is there some that is left?
[fol. 4480] A. Oh, yes.
Q. That is the non-salvagable material, isn't that right?
A. Yes, foil and some wires.
Q. How long has this been your practice, as far as you know?
A. Since I have been there.
Q. 1946?
A. 1946.
Q. Is this, to your knowledge, a common practice in the protective service field generally?
A. As far as I know.

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[fols. 4481-4484] Q. Mr. Orner, why did your company seek the approval of the various insurance organizations for accredited central station protected service?

A. Because that permitted us to get business that we

otherwise could not obtain because if you are not certified with Underwriters for burglar alarm systems and approved for fire and sprinkler systems by the other agencies having jurisdiction, it would be quite a bit of business that you would not get.

[fol. 4485] Q. This morning you mentioned these national accounts which A.D.T. has. You said that you did not have a chance to obtain that business. Will you explain that to us?

A. Yes, Mr. Story. It just seems that the door is closed with most of these nationwide organizations which operate nationally. When you come in with a bid they

Page 137

treat you very nicely. They don't throw you out, but a salesman is told that the account has already been taken care of through headquarters, wherever those headquarters might be, and it is my understanding that accounts of a national nature, such as Sears Roebuck, [fol. 4486] Winkelman, and others, are handled through wherever their headquarters may be. That is my understanding.

I do not know all the workings of A.D.T., but if the headquarters happen to be in New York, the New York office would handle that national unit.

If the office was in Cincinnati, the Cincinnati office would handle it, or they would send a man in from New York to handle that particular account.

Q. Have you had any instances where these so-called national accounts would not accept a bid from your company?

A. Oh, yes, like Sears, for example, and Winkelman, I believe, is another one, and Dutch Masters. I mean, with all due deference to them, they are nice people.

Q. In other words, your salesman went out to solicit those businesses and was told they would not accept a bid from your company?

A. That is correct, yes.

Q. Would that happen very often, sir, since you have been with the Morse Signal Devices Company?

Page 138

A. Often enough to remember them with the number of

stores that have opened up. Sears has opened a couple of stores. Federal Department Stores, Winkelman, Fire-
[fol. 4487] stone. Whenever you get a large account, stores like that.

Q. Would those accounts be considered the better accounts from a protection standpoint?

Mr. Fritz: Object to the form of the question.

Mr. Story: Strike the question.

Q. Taking your accounts, the size of your accounts as a whole, would you consider the accounts that you just mentioned larger than the average or smaller than the average of your accounts?

A. They would be highly desirable and larger in that sense than the average. There are other attributes, also.

Q. What are th[illegible]?

A. They are long-lasting. They are accounts that are good in paying their bills.

Q. What do you mean, the accounts are good?

A. That would be these larger accounts. They are fixed. They stay in business and generally they are of a nature which makes them larger and more profitable accounts in that sense.

Page 143

A. I would say it has gotten more intensive the last few years. If I may extend it just a little bit, as an illustration, because for the first time it seemed to
[fols. 4488-4489] me that A.D.T. started to also bring in their local burglar alarm systems. I mean, previous to this, the last couple of years, there were very few local alarm systems that A.D.T. went in for.

We felt this, that they actually came in and competed on local burglar alarm systems which, in the past, I would say three or four years and back, I did not even know that they had any local systems, figuratively, in town here.

Q. So, within the last five or six years you have noticed that A.D.T. does engage in the local alarm business in Cleveland?

A. Oh, yes.

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[fol. 4490] Q. Just say an average type of any kind. What proportion in terms of salvage value could your company get if you

Page 151

took that alarm out at the end of a five-year contract as compared with what the original cost to install that system would be?

A. Mr. Story, I will have to take a guess at this. I do not have any actual figures for it, but on the basis of what would be salvagable, which would be more or less relative for a large or small installation with variations where you have one type of service or another, I would say roughly somewhere around one-fifth of the value. That is, I would say around 20% or thereabouts.

Q. 20% of the original installation charge that you charge the owner of that premises whenever you have installed it?

A. That is what I would say, yes.

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[fol. 4491] Q. Mr. Orner, could you tell us how many of your central

Page 152

station protection subscribers have reverted from central station protection service with your company to local alarm service within the last year?

A. Very, very few. Just since January——

Q. In the last year?

A. I would say less than ten.

Q. Less than ten?

A. I would say, offhand. I can only think of three at the moment. I would say less than ten.

Q. Well, how many of your local burglar alarm subscribers in the last year have changed to central station protection service?

A. I do not have any direct information on that but I would say more than the other. I would say maybe, and this, again, is just a guess, but relatively, I would say twice as many as the others, or more.

Q. Twice as many of your local alarm accounts went to central station accounts?

[fol. 4492] A. Yes.

Q. How many of your central station fire alarm accounts, both automatic and sprinkler supervisory and water flow alarm accounts have reverted to local fire alarm systems?

A. None.

Q. You mentioned to Mr. Fritz, and correct me if this is not true, that you had not raised your prices on central

Page 153

station protection service installation or service charges in the last five years, is that correct?

A. That is correct.

Q. You did mention that your labor cost and your cost of business had gone up during that period?

A. That is correct.

Q. Why haven't you raised your prices commensurate with your increased cost of doing business?

A. Well, we wanted to but competition from A.D.T. would not permit it.

Q. You say competition from A.D.T. What about competition from your local alarm companies?

A. Well, I do not think we felt it as much as with the others because, to be very realistic, we have far more to offer than the smaller alarm companies have, and, by the same token, comparable to A.D.T., we cannot say [fols. 4493-4494] that A.D.T. is inferior to Morse, and neither can they say they are superior to us on the basis of service.

We are both accredited by all these agencies holding jurisdiction, which is, in the final analysis, the qualifying factor.

Therefore, when you get a combination of an organization giving excellent service, like A.D.T., lowering the price, they do not leave very much to offer to a prospect.

Page 154

Q. When you mention competition from the local alarm companies, are you talking about local alarm bids which your company——

A. Local alarm bids only, yes, because they do not have other services.

Q. They do not compete with you on bids for central station service?

A. No, as far as I know. Just a few that we mentioned before that I have been told about.

• • • • • • •

[fols. 4495-4496] Q. Mr. Orner, does your company allow subscribers to pay for the installation charge on an installment plan?

A. Very, very seldom, and I think we have gone, in a few instances, up to a year, and we only do that for self-protection when it has been offered by others.

Q. What others?

A. I understand that A.D.T. has been doing that, at least we are told by subscribers, and in self-defense we have to do it.

We prefer to get the money so we can operate. We are not big enough to loan, that is, to float these

budget accounts, in that respect.

• • • • • • •

[fol. 4497] Q. Have any other of your central station [fol. 4498] subscribers been required by any insurance organizations to have central station protection?

Mr. Williams: Objection to the form of the question.

Mr. Story: You can go ahead and answer it.

A. Any of our central station burglar alarm subscribers been requested to——

Q. Been required to, I say.

A. Oh, been required to have, yes. That is not uncommon. By the insurance company, yes.

Q. What is the nature of the business of such subscribers?

A. Well, such subscribers would have relatively high values, such as furs, drills, taps, jewelry, and other high concentrated values more or less, or they may be in target areas, hazardous areas.

Q. What do you mean by "hazardous areas"?

A. Where they would be more prone to an attack or break-in,

Page 162

to-wit, Euclid Avenue and, let us say, 14th, would not, in my estimation, be a hazardous area. However, you go to 14th and Central or Carnegie, it would be a far more hazardous area due to the nature of the environment and the people who more or less pass and re-pass in that area. [fol. 4499] Q. Well, have you obtained any central station accounts where it has been reported to you that they had to have this protection service for insurance purposes?

A. Oh, yes.

Q. How many would you say in the last year?

A. Last year it would average at least one a month. That is all central station jobs. I would say maybe around 25.

Q. Who reported this information to you?

A. Well, I see the records pertaining to what is sold. The salesmen, or once in a while I get a call from an insurance agent or underwriter.

Q. You get a call from an insurance agent. Generally what do they say to you?

A. Well, they would like a bid for their client on such and such premises, and "We want such and such certification," or they may even sometimes mention the nature of the protection they want, particularly with space protection coming to the fore. They may even specify some type of space protection.

Page 163

Q. Now, is this related to central station protection service?

A. Yes, all this is central station.

[fol. 4500] Q. Have you had any requests for local burglar protection from insurance people?

A. Yes, because there are, by that same token, certified local burglar alarm systems, also.

Q. Would that be within the range of your central station?

A. Yes, or it could be beyond. The locals could be beyond

• • • • • • •

[fol. 4501] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 345

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of SHELTON PHILLIPS, Potter Electric Signal Company of Ohio, 108 West Sixth Street, Cincinnati, Ohio.

Page 3

Q. You are the vice-president of the Potter Electric Signal Company?

A. Of Ohio; yes, sir.

Q. That is the company which was formerly known as Walnut Hills District Telegraph Company?

A. Yes, sir.

Q. When was that name changed?

A. Some time last year.

Q. Do you hold any office in the Potter Company which conducts business here in St. Louis?

[fols. 4502-4505] A. No, sir.

Q. The company in which you are an officer is a wholly owned subsidiary of the Missouri Potter Company?

Page 4

A. That is right.

Q. What are your functions as vice-president of Potter? Hereafter, when I say "Potter," I am referring to only the Ohio Corporation?

A. Well, I am the general manager of the Cincinnati operation.

Q. Do you perform salesman's functions for the company?

A. Certain portion of my time is in selling, yes.

• • • • • • •

[fol. 4506] Q. You provide a central station burglar alarm service?

A. Right.

Q. Central station automatic alarm service?

A. That is right.

Q. Sprinkler supervisory?

A. Sprinkler supervisory, night watchmen.

Q. Industrial process?

A. I don't know if I understand what you mean by "industrial process."

[fol. 4507] Q. Well, perhaps it could take several forms, possibly the supervision of temperatures in a refrigerator.

A. Oh, yes, we perform any type of supervisory service that is normally required: temperature, heat, boiler, water level valves.

Q. You provide all the same services that are provided by the parent company in St. Louis?

Page 9

A. Yes, we do.

Q. Does the company still engage in the local alarm business?

A. Yes, we do.

Q. How about direct connected or remote station alarm service?

A. We have never put any in. I have inherited a couple of them.

• • • • • • •

[fol. 4508] Q. Your contracts do, as I understand it, provide for the retention of title to equipment installed in subscribers' premises?

A. That is right.

Q. I notice in at least one of your form contracts,

Page 17

the term "for duration of the contract" is blank. What is the usual term of your central station contracts?

A. I can't give you any usual term because we have them everywhere from one year up to five years.

[fols. 4509-4512] Q. Well, if your company has its preference, what sort of term does it write into the contract?

A. We would normally prefer to write a contract on a five-year basis, but in the event that a customer has a lease for a smaller number of years or prefers to hedge against tying themselves up that long, we will sign them to a one-year contract.

Q. A five-year contract term is common in the business?

A. Yes.

• • • • • • •

[fol. 4513] Q. Would you tell me, in an approximate way, the geographic area wherein your company renders protective service?

[fol. 4514] A. Well, we operate in metropolitan Cincinnati which covers possibly also the major portion of Hamilton County; we go across the river into Kentucky, Northern Kentucky, and

Page 22

there are a number of small towns up and down the northern side of the river, Newport, Covington and, I don't know, half a dozen other little communities in there that we have some protection in of some kind.

Q. Do you have central station protection in those villages?

A. Some of them, yes.

Q. Is it fair to say that most of these subscribers in those Kentucky towns are local alarm subscribers?

A. In the outlying areas they are mostly local but, as you get into places like Newport and Covington, it is predominantly central station.

• • • • • • •

[fol. 4515] Q. Is it fair to say that practically all of the equipment used by your corporation is purchased from the parent corporation?

A. When you say "equipment" are you talking about the devices and all of the things that we use to install a

burglar alarm, or talking about your central station equipment, or what?

Q. Well, we will start off first with the type of devices and equipment that you install in a subscriber's premises.

A. No, we don't buy it all from the Potter Electric Company.

Q. And the parent company doesn't make your purchases for you; you make some purchases yourself?

Page 24

A. We make a lot of purchases direct.

Q. What are your chief sources of supply now? Speak-
[fol. 4516] ing here of devices and electrical articles that are used in connection with the rendering of your service.

A. Well, I can tell you we buy a lot of stuff from people like Ademco up in Brooklyn, and Frue, Walter Kidde Company, Regal Wire, and buy some GE switches and one thing and another, possibly a half-dozen other places. I don't remember all of their names.

Q. Reece in New York?

A. No, I never bought anything from Reece in New York. I think he handles a line of bells and we would normally buy all of our bells from the home office in St. Louis.

* * * * * * *

Q. Have you experienced any difficulty in securing the devices or equipment needed by you in your business?

A. Well, there may have been some things that I

Page 25

couldn't get. In other words, if I didn't have a source of my own, I would try to get the parent company to try to find it for me or get it for me.

[fol. 4517] Q. Is it a frequent occurrence, for you to encounter difficulty in securing the equipment needed by you?

A. Not too frequently.

* * * * * * *

[fol. 4518] Q. But the renewal term—suppose I signed up a contract with your company, we would perhaps have

an initial term of five years, if you had your way—
[fol. 4519] A. Yes.

Q. —then at the end of five years, the contract would automatically renew itself for what, for one year?

A. Whatever is stated in the contract. There is a space there that you can—we would normally insert another "five"; if we had a five-year contract we would normally insert another "five"; if we had a one-year contract, we would insert another "one"; if we had a three-year contract, another "three".

• • • • • • •

[fol. 4520] Q. You mentioned before that you haven't lost many of your oldtime subscribers.

A. I have never lost a subscriber, except they went out of business; at least, I never lost a subscriber who was dissatisfied with my rate or service, and went with any other company.

[fol. 4521] Q. You have been able, however, to bring into your fold people who were A.D.T. subscribers?

A. A few.

• • • • • • •

[fol. 4522] Q. Mr. Phillips, since you have been in Cincinnati, have you ever attempted to bid on the protection requirements for any company which told you that they would not take a bid from your company for the protection services?

A. Yes, I have.

Page 84

Q. What companies were those, sir?

A. Well, these are some of the large national companies. As I recollect: Westinghouse had a new building; just a week ago Bendix who was building a new building refused to accept a bid from us; Philco was another one that built a building and S. & H. Green Stamps build a building and wouldn't accept a bid from us.

• • • • • • •

[fol. 4523] By Mr. Fritz:

Q. Would you mind telling me again how many local alarm subscribers you have?

A. I don't remember telling you.

Q. Well, then, I should have asked you.

A. Well, I don't know. You have got, some place, the figure there that you have got the local alarms.

Q. I see 83 in 1961—excuse me—74 in 1961. Are you familiar with any of those subscribers or their premises?

A. Oh, I think so.

Q. Are any of those premises similar to the premises of other subscribers that take your Central station service?

A. Well, if you are talking about similar in the fact

Page 91

they have a front door and back door and show window, yes.

Q. No, I mean similar insofar as protection problems go.

A. Well, we are talking about the same thing. That is the protection problem, to protect the front door and the back door and plateglass.

• • • • • • •

[fol. 4524] Q. You do have stores of types similar to stores which take central station?

A. I can't think of any central station on a pony keg.

Q. Including your 74 local alarm are other subscribers?

A. There may be one or two retail stores among the locals in the low range of the type of small dry goods store, small grocery, drug store, yet we have drug stores with central station.

Q. Do you have drug stores that have local alarms?

A. Yes, we have some.

Q. Have dry goods stores with central station?

A. Very few dry goods with central station; might be

Page 92

one or two of the more specialty type shops.

Q. Do you have any jewelry stores with local alarm?

A. A couple.

Q. You have some jewelry stores with central station service?

A. Yes, we have.

[fols. 4525-4526] Q. These stores are located down in downtown Cincinnati?

A. One or two of them are, yes.

[fol. 4527] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 346

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of DONALD D. PILLSBURY, National Bureau of Casualty Underwriters, 125 Maiden Lane, New York 38, New York.

Page 3

Q. Would you state your full name, please?

A. Donald Dutton, D-u-t-t-o-n, Pillsbury, P-i-l-l-s-b-u-r-y.

Q. What is your home address?

A. 63-14 Saunders, S-a-u-n-d-e-r-s, Street, Rego Park, New York.

Q. What is your present employment, Mr. Pillsbury?

A. I am the manager of the Burglary and Glass Division of the National Bureau of Casualty Underwriters.

Q. What is the address of the National Bureau of Casualty Underwriters?

[fol. 4528] A. 125 Maiden Lane, New York 38, New York.

Q. How long have you been employed by the National Bureau of Casualty Underwriters?

A. Since 1940.

Q. Would you briefly describe the positions that you have held with the National Bureau since 1940 and the approximate dates?

Page 4

A. I came with the Burglary and Glass Division of the National Bureau in 1940 and served there until 1948, when I became assistant manager, and in 1951 I became the manager.

Page 13

Q. You have mentioned that in the process of calculating your statistics various discounts are taken into account in arriving at the statistical results; is that correct?

A. We allow certain discounts, such as for protective devices or protective services or other features, but it is not possible

Page 14

and we do not adjust our experience by taking out those discounts.

• • • • • • •

[fol. 4529] Q. Does the National Bureau of Casualty Underwriters publish the rates which you have determined by your processes within the National Bureau in any publication which is available to the insurance trade?

A. The results of our work is published in what is known as the Burglary Insurance Manual, and that is made available and is in the hands of all insurance companies that are members and subscribers of the National [fol. 4530] Bureau and their producers that are handling this form of insurance.

Q. Published in the Manual of Burglary Insurance do you have some table of discounts for the various protective services which have an effect upon the premiums that the insurers pay?

A. We do, and the pages are 334, 335 for mercantile premises——

• • • • • • •

Q. Are the various discounts for the various types of [fol. 4531] protective services which affect insurance premiums published in the Manual of Burglary Insurance?

A. Yes.

Q. Would you please take Government's Exhibit 1 and refer to those pages dealing with any discounts for any of the various

Page 17

protective services on burglary insurance policies?

A. Page 121, residence burglary alarm discount; pages 212, 213, 214, 215 and 216, which refer not only to the burglar alarm discounts but also to watchman discounts, tear gas system discounts and holdup alarm discounts.

Q. For what type of an installation, sir?

A. These are installations——

Q. What type of burglar insurance are you dealing with there?

A. I am dealing with bank burglary and bank robbery insurance. Pages 33, 334, 335 and 336, which relate to mercantile premises, discounts for watchman protection and alarm protection, burglary alarm protection. Pages 417——

Q. Excuse me. Pages 333 to 336 dealt with what type of burglary insurance business?

A. Mercantile, open stock. Pages 417, 418, which deal with mercantile safe insurance and sets forth the discounts for watchmen protection and premises—strike out [fol. 4532] "premises"—and safe, vault and alarm systems protection.

Page 18

Pages 514, 515, 516 pertain to mercantile robbery insurance and set forth the discounts for bandit-resisting enclosure, tear gas systems, guard discounts, holdup alarm discounts, discounts for certain types of messenger bags, safes, satchels or wallets, private conveyance discounts.

Pages 628, 629 and 630 relate to discounts for the money and securities broad form insurance, relating to watchmen protection, guard discount, holdup alarm discounts and premises burglary alarm discounts and also discounts for messenger bags, safes, satchels or wallets.

The discounts for the money and securities broad form insurance also equally apply to the comprehensive dishonesty and destruction, disappearance policy and for the blanket crime policy.

Page 639 is probably not too pertinent to the discussion bit it does set forth reference to Underwriter's Laboratories approved equipment and the rating procedure involved. Then we have pages 714, and we have certain discounts we allow for certain Underwriters' Laboratories approved safes, chests or vaults. This is for valuable papers and records coverage.

Page 19

[fols. 4533-4534] I believe that that includes all reference to discounts for protective devices that we recognize.

* * * * * * *

[fol. 4535] Mr. Story: Please mark this Government's Exhibit 2 for identification.

(Copy of "Filing Memorandum" headed "National Bureau of Casualty Underwriters" and dated July 5, 1950, being pages 1, 2, 12, 13 and 14 of 47, marked Government's Exhibit 2 for identification.)

* * * * * * *

[fol. 4536] Q. In substance, sir, what changes did you make from the rates that were established?

A. Do you want me to enumerate these?

Q. No, sir. In substance, what changes were made?

A. In substance, there were increases in cer-

Page 27

tain of the discounts that were allowed for central-station protection. I believe there is one instance where there was a small decrease.

Q. What brought on this matter of changing the discounts before the national Bureau of Casualty Underwriters?

A. Will you restate that question?

Q. Under what circumstances did the Bureau decide to [fol. 4537] make alterations in the rate discounts for protective services for burglar alarm insurance?

A. I will give you the explanation which we gave to the state supervisory authorities, as set forth in this filing memorandum. The increases were introduced in the central station burglar alarm discounts and there was one small decrease because experience has shown that the central station burglar alarm companies provide a high type of service which is also costly. It is felt that the present discounts do not properly measure the difference in protection offered by the central station and local burglar alarm companies. The one small reduction, from 47 per cent to 45 per cent, was made to true up the tables and is in the "without keys" section, which involves very few alarm systems. I will stop at that point.

Page 28

Q. You have just testified that the discount rate for central station protection service was altered and increased as set forth in Government's Exhibit 2. Were any changes made in the rate discounts given for local burglar alarm service at this time?

A. None.

• • • • • • •

[fol. 4537a] Q. If you would refer to the Manual of Burglary Insurance, which has been marked as Government's Exhibit 1, and to the discounts granted to mercantile premises alarm systems, would you tell us whether or not alarm systems connected directly to the police departments receive any great discounts?

A. They do not.

Q. Do you know why they do not, sir?

A. I know some of the reasons.

Q. Would you tell us some of the reasons, sir?

A. And I am quite sure that the alarm industry can give many more and be much more specific, but one of the reasons is that you are never sure of the priority that you will receive in the police department.

Q. Would you give us a little more detail on that? Priority on what?

[fol. 4537b] A. A murder has higher priority than a breakin on the premises. There is an order of priority, which I don't

Page 41

remember, but I have heard it numerous times. A burglary attack is not of the highest order of priority.

Q. What would be the difference between that and an alarm connected with a central station protection company?

A. The requirements for a central station company, as I understand them, is that upon the notification of an attack they will send guards.

Q. Do they take any other action, sir?

A. They notify the police.

Q. Are there any other reasons why you do not give rate discounts for burglar alarms connected directly to the police department?

A. I don't know whether this—this is an area in which certainly the alarm companies can give you far better advice than can I, but I understand that another reason is that in the alarm industry when signals are received indicating an attack on the premises, that there is an interpretation that can be given to these signals as to whether or not they are false alarms or a meaningful alarm. Hence, a lot can be done to an interpretation that cannot be done in the police headquarters.

Page 42

[fol. 4537c] A good illustration is if you have a thunderstorm come up, or some act of nature, which can set off the alarm, in that case the control area looks like a Christmas tree. The alarm industry's experience is able to interpret this and knows what is happening, and possibly if the police would interpret that quite a different response would be involved.

Q. Are you telling us, sir, that the police department has not been very efficient in the interpretations of alarms received in the police departments?

A. I am not passing judgment on that.

Q. Well, your Burglary Rating Committee has to set judgment on the effectiveness of these alarm systems in order to arrive at a proper discount. Has that subject ever been discussed in your committee since you have been the manager?

A. Certainly it has not been formally discussed, which

may not seem obvious here, because I am not versed in all the refinements of this argument, but apparently to anyone who is well versed in the protection industry the arguments against the hookup in a police station are so obvious that the discussion never gets into any serious vein.

Page 43

You have politics involved, and there are many, many variations, and I am sure you have picked them up from the alarm industry.

[fol. 4537d] Q. I am attempting to get your understanding as to why an ordinary alarm system which is connected by wire directly to the police department receives no insurance rate discounts, whereas an exact, identical burglar alarm system is attached by a private telephone line to a central station and you give up to 70 per cent.

A. It has been found—and I am only talking of what I have heard—I cannot prove it, nor will I attempt to do so—but I understand there have been hookups with the police stations in which the police ignore the thing entirely. Many police stations do not want it. There are many factors involved.

Q. Since you have been the manager of the National Bureau of Casualty Underwriters Burglary Committee, there has never been any serious consideration of that committee to grant such a discount to police-connected burglary alarms?

A. That is correct.

Page 44

Q. Does the Manual of Burglary Insurance grant any discounts to alarm systems connected with telephone-answering services?

A. No, sir.

Q. Has that ever been considered by your Burglary Rating Committee of the National Bureau of Casualty Underwriters

[fol. 4537e] A. It has not.

Q. Do you know why it has not been considered?

A. Well, that situation is even more ridiculous than the police station, so it never gets to the point of serious discussion.

Q. Does the National Bureau consider an alarm system attached to a telephone-answering service an adequate form of protection?

Mr. Fritz: Would you read that question?

(Question read.)

A. I would say we have never gotten to the point where we even considered it. I would answer it further, make an additional comment, that as far as I am concerned they will probably never consider it unless we have some very potent arguments from the Underwriter's Laboratories that it can be of value.

Q. In the Manual of Burglary Insurance, under your discount provisions for the various types of protective services, is

Page 45

any discount given to premises protected by patrolled services, a guard that visits a premises periodically throughout the night?

A. You are talking about watchman protection, and we do allow discounts for that.

Q. The watchman protection that you do allow discounts [fol. 4537f] for, is he required to remain on the premises during the closed period?

A. I would say yes.

Q. They have, sir, in the protection industry what is known as a patrol service, which is furnished by a company which will charge property owners a certain amount to have a patrolman visit their premises at various times during the night and then move on to other premises. Is there any discount given for that type of protective service in your Manual of Burglary Insurance?

A. We do not recognize that service for discounts.

Q. Why don't you, sir?

A. The only watchman service we recognize for discounts is where the watchman is employed exclusively by the insured.

Page 46

Q. And the watchman remains on the premises during the closed period?

A. Yes, sir.

Q. And do you give any recognition at all for patrol service, as it is known in the trade, for one or two visits to the property at night?

A. None.

Q. Why don't you?

A. Well, we feel that the matter of control over that [fol. 4537g] watchman is important, and that where he is controlled by an outside agency you do not know whether he is going to be there or whether he is not going to be there.

Q. As I have described "patrol" service for you, where they make one or two visits a night to the premises—that is what is generally known as patrol service?

A. Yes.

Q. —has the National Bureau of Casualty Underwriters Burglary Committee ever considered granting discounts for this type of service?

A. No. The only thing that is running through my mind, and this is something we have never discussed before, many, many years ago in the banking field they had some type of local auxiliary crowd, a group that they used, but I don't think that is pertinent to this.

Page 47

You are trying to pin me down, as to the name, and I would say county auxiliary unit seems to stick in my mind, and that was used many, many years ago, and they did give some recognition to it.

Q. Since the time you have been with the National Bureau of Casualty Underwriters, have they given any recognition?

A. Never. I probably should qualify that one more step. We have only here in New York a situation in [fol. 4537h] which certain buildings, like Rockefeller Center, the Empire State Building, have very elaborate—very elaborate—protective services, all centrally controlled and which far exceed anything we normally anticipate in our manual, and for those buildings we will allow some credit. We have set overall a general standard of what those buildings have to meet as requirements, but normally you will not find that any two buildings will have the same

set—they have very extensive security forces in Radio City and that area there, and where we have those buildings

Page 48

each case is individually submitted to our Rating Committee, and if they meet our so-called—what we think of as our minimum standards, we will allow those discounts.

Q. Is that what you call a proprietory alarm system? Do those signals come to a panel board within the guard office?

A. In most cases they do.

Q. Outside of those two instances that you have mentioned, do you give burglary insurance credit for proprietory alarm systems?

A. By "proprietory" you mean that the firm has its own control board?

[fol. 4537i] Q. That's right.

A. The answer is no.

* * * * * * *

[fol. 4537j] Q. Now, sir, I refer you for the moment to Government's Exhibit 1, the Manual of Burglary Insurance, and refer you specifically to the discounts granted for bank burglary protection, which is page 212 or 214, and I ask you, under the discount rates as set forth on those pages of the Manual of Burglary Insurance, if there is any distinction made between the discounts granted to central station burglary alarm service and local burglar alarm service.

A. There is no distinction.

Q. Do you know why there is no distinction between the two types of services?

A. I do not specifically know why, nor are there in our records anything that will give you the specifics as to the [fol. 4537k] rationale that was used by the people who initially devised this particular schedule. I understand from some whose experience goes back more years than mine that many years ago in the small towns there were situations where

Page 53

apparently the local alarm, with the awareness of the citizens of the fact that there was a bank in town and that if the alarm went off because of an attack these citizens would be activated, this was rather an effective method. In addition, no central stations of course could exist in those areas because there wasn't enough business, and undoubtedly in some of these cases—probably in many of them—these banks had installations with the police department; in other words, they ran their lines into the police department.

This schedule has been in there for many, many years——

Q. When was that last coded, if you know, the bank burglary——

A. It has not been coded, to my knowledge.

Q. Was it coded in the 1937-1941 coding?

A. It was not.

Q. Do you know why it was not?

A. Not enough business, so that if you accomplished the coding you would not have any valuable information because the premium volume was so thin.

* * * * * * *

[fol. 4537l] Q. On your direct examination it was mentioned that the discount accorded to banks does not differ as between a bank protected with a local system or a bank protected with a central station system. There is no difference?

A. There is no difference.

Q. The same applies with respect to residence protection, does it not?

A. That's right. In addition to that, in the residence section of the manual it does not refer to Underwriters' Laboratories approved alarm systems.

Q. The maximum discount where an insured can insure by use of watchmen is what?

A. Thirty per cent.

Page 60

[fol. 4537m] Q. Thirty per cent per watchman?

A. Yes, but not exceeding three—wait a minute now. Is that right. I will check that. Yes. You cannot have more than three watchmen——

Q. Therefore, the maximum is 90 per cent?

A. We do not add them together that way; we apply them consecutively. You take a $100 premium, a reduction of 30 per cent gives you $70, and you take 30 per cent of $70 and that gives you——

Q. A balance, and then for third watchman you take 30 per cent of the balance?

A. That's right. You apply them consecutively.

Q. In order to qualify for the 30 per cent watchman discount, the watchman must signal to either a central station or police department; is that no so?

A. I believe it is. That is correct.

Q. Has the question of whether or not that discount should continue to be granted in cases where the watchman signals to a police department rather than a central station ever been considered by your committee?

Page 61

A. No.

Q. So far as you know, the committee is satisfied to have the watchman continue to signal to the police department?

[fol. 4537n] A. I would have to say yes.

Q. Can you point out in the manual the buildings in which there are installed watchman proprietory systems which qualify occupants for discounts?

A. If you will turn to the New York State territorial page—I am looking at pages 8 and 9—you will see those buildings there: Chrysler Building, Empire State, Equitable Life, Lincoln Building, New York Life Insurance Building, the News Syndicate Building, Port Authority Bus Terminal, Rockefeller Center, the Waldorf-Astoria.

Q. The Rockefeller Center includes a great number of buildings?

A. It includes the complex that is set forth for that area.

Q. Do you know whether in any other states there are buildings containing proprietory systems which receive similar treatment?

A. This is the only city where we give this treatment.

Page 62

Q. I direct your attention to page 212 of the manual, Mr. Pillsbury, the last paragraph. Do I properly understand from that paragraph that there is some discount given for the use of a watchman who is not in the exclusive employ of the assured but who watches over the properties of several concerns or several assureds?

A. You are right, and I think I misled the other people here a little bit on that one. I had forgotten about this. [fol. 4537o] It is in the bank section. This is strictly for banks and does not apply to mercantile premises.

We use these so seldom, there is so little bank business

Page 63

written, that we tend to forget these things. This was an oversight on my part.

Q. Did you testify earlier that a subscriber as opposed to a member is subject to the same obligations as a member?

A. Well, I don't know whether I am interpreting "obligation" right, but a subscriber, if he subscribes to the National Bureau for a form of insurance, such as burglary, he has to comply with our rules, our rates and policy forms identical to the way any member company would have to, so they have no more leeway.

Q. Does that mean that every member and every subscriber to the National Bureau is obliged to grant the discounts which are set forth in your manual?

A. That is right.

Q. Are they able to grant discounts beyond those set forth in the manual?

A. In certain states we have rating plans which we have filed, which are in addition to this manual, which give flexibility, but the flexibility is within the limitation of a 25 per cent credit or a 25 per cent debit.

Page 64

Q. For what?

[fol. 4537p] A. You can have a variety of things. You can have good housekeeping, you can have personnel, you

can have physical characteristics. It is a flexible thing that the individual insurance company uses in which they see—for example, if you have two risks, one beside the other, and one has very sloppy housekeeping and the other has excellent housekeeping, you can give some recognition to that. If one has good control over personnel and the other one does not, you can make some distinction there. The filing that we made was for the states where that can be done, and this cannot be done in New York.

Q. Do you know in what states this can be done? Can you give me a rough idea of how many states?

A. I can give you a rough idea. I would say in most of our states we do not have it, Virginia, Washington—let's say around 40 states.

Q. You can do it in 40 states, have that 25 per cent discount?

A. Around that.

Q. When an insurance company covers a risk and grants discounts, do they make any report of that to you?

Page 65

A. This is all handled under a strict filing procedure. The company has to come in and file their submission with the National Bureau, so that we now have a record of the [fol. 4537q] name of the risk, the amount of discount or surcharge, whichever they decide to use, and that applies to that individual risk.

Q. Do you know whether any of your subscribers or members grant that 25 per cent discount or some portion of it for the reason that the insured has either a direct-connected alarm or proprietory system or an alarm connected to a telephone-answering service?

A. I don't have knowledge of actual cases that I could put my finger on.

Q. Have you had reports by your membership that that is done?

A. I think that our members and subscribers—well, actually I am trying to think of actual situations——

Q. You mentioned that there are various things considered, such as good management or good personnel and physical characteristics. Now, is it permissible to grant a discount on the basis that there is good management for the

Page 66

reason that the insured has a proprietory system?

A. The application that would come in to us would never indicate the specific reason, so this is why I am not able to tell you I have seen the reasoning they used.

Q. Do you know from talking with any of your members [fol. 4537r] or from reports received from them whether or not that 25 per cent credit is ever allowed for the reason that the assured has any sort of an alarm system?

Mr. Story: I object to the form of the question. Hearsay.

Q. Go ahead and answer it, please.

A. Well, it is believed that where the competition can be very sharp as between a member company, let us say, and a nonmember company, or a nonsubscriber company, that they use that and would give some recognition to an unlisted alarm system.

Q. You mean to an alarm system that is not classified or graded or approved by Underwriters' Laboratories?

A. Right.

Q. You mentioned nonmember companies. Are they the mutual companies?

Page 67

A. No. We have companies that are not members or subscribers to the National Bureau.

Q. Stock companies?

A. They would be stock companies.

Q. Do you know what percentage of the stock companies in this country are not members or subscribers?

A. I would be guessing if I were to give you that. You see, probably what you are interested in is the percentage [fol. 4537s] of companies that write burglary insurance——

Q. It is, but I stated it differently.

A. Again, we were sticking to about 80 per cent, we said before—about 80 per cent of the companies writing burglary insurance, stock, belong to the National Bureau; certainly 80 per cent. The reason I put it this way, and this is the way I look at it, is that I can name you 30 companies, or give you a list of 30 companies writing bur-

glary insurance that are stock companies and the order of the volume in which they write it, and by the time I have got down to the 30th company I am talking about a company whose premium volume is something like $60,000 a year.

Page 68

Q. Are there companies with premium volumes in excess of $60,000 a year, and I am not talking about stock casualty companies, which are not members of your bureau?

A. Oh, yes.

Q. Do you have any notion as to, say, the 10 largest stock casualty companies?

A. Yes.

Q. Are any of the 10 largest not members of your National Bureau or subscribers to it?

A. Your question should be a simple one, but I have to keep this in mind. We have many companies who are subscribers only in one state.

[fol. 4537t] Q. Does that mean that in the one state they grant the discounts and adhere to your requirements?

A. That's right.

Q. And in other states they go it alone?

A. Right.

• • • • • • •

[fol. 4538] Q. Do you know whether the rendition of burglar alarm service through the telephone-answering establishments is on the increase or whether it is even rendered at all?

A. My conversations with the alarm industry would indicate that there is some concern.

[fols. 4539-4543] Q. They are concerned that it is a competitive force?

Mr. Story: I object to the form of the question.

A. The alarm industry is concerned with the fact that telephone-

Page 93

answering services are moving in and are a potential com-

petitor for the business that they are trying to serve, so it is a competitive element.

• • • • • • •

[fol. 4544] Q. Yes. I ask you to look at this document entitled "Central Station Burglar Alarm Systems." That is an Underwriters Laboratories pamphlet, No. U. L. 611. Do you have one in your possession?

A. Yes.

Q. I ask you to look at page 6, the second paragraph.

Page 99

A. Paragraph 8?

Q. Yes. Is that your definition of a central station system?

A. When you say is that my definition, this is the definition of the central station system for which we recognize U. L. certificates and when we refer to Underwriters Laboratories approved installations. I don't know if I answered your question.

Q. I call your attention to the second sentence of that paragraph No. 8. That states, does it not, "Central station systems are independently owned, controlled, and operated by a person, firm, or corporation," et cetera, owned by a person having no interest in the protective property?

A. That's right.

Q. Do you grant discounts or recommend the granting of discounts to insureds who own their own protective equip-[fol. 4545] ment? I want to qualify that question: I am excluding at this point those various buildings in New York City where special discount treatment is given.

A. This would be a subject matter which has of course never been discussed within the insurance industry. To my

Page 100

knowledge, you just don't think in those terms.

Q. You wouldn't care?

A. No. I am saying that the approach made by the Underwriters Laboratories and by the alarm industry have been such that this is not a question that we have ever

had under consideration, so if you are asking have we ever discussed this or given thought to this, any requirement different than what we have here, we have not.

Q. Are you saying that at the present time the systems in order to qualify for discount are owned by someone other than the insured or the subscriber to the service?

A. Yes.

Mr. Story: Would you read that question, please.

(Question read.)

Mr. Story: I don't think the witness testified to that and I object to that.

Mr. Fritz: I am asking him whether he does say that. I will withdraw the question.

[fol. 4546] Q. In granting and specifying these discounts set forth in your manual, does your National Bureau and do you proceed on

Page 101

the assumption that the alarm equipment, the alarm system, is not owned by the owner of the insured premises?

Mr. Story: I object to the form of the question. This witness has not testified he has anything whatsoever to do with the setting of the standards for this service. Until such time as a foundation is laid, that the National Bureau has some authority to establish the specifications, Standards or services, the installation and maintenance, the witness is not qualified.

Mr. Fritz: I am asking him what their assumption was in continuing and in establishing these discounts.

Q. Does the granting of a discount assume that the owner of the protected premises does not own the burglary alarm installation?

A. I would have to say yes, because it is here in the standard (indicating).

Q. So far as you know, the insureds don't own these systems, do they?

A. As far as I know, they do not.

Q. Do you have any opinion, based on your years in

this industry, as to whether this is a matter that should enter into consideration when the question of granting discounts——

Page 102

[fol. 4547] Mr. Story: I object to the form of the question.

Mr. Fritz: I don't think I finished it, but I think you know what I mean. Would you read it back.

(Question read.)

Q. ——comes under consideration?

A. I think it certainly would be something that would have to be given careful thought. To my way of thinking, the practice in the past has been such that you never thought of this on any other basis.

Q. Do you find it a desirable thing to have the ownership of the installation in someone other than the insured?

Mr. Story: What installation, the entire central station operation or the central station itself?

Mr. Fritz: I am talking about the burglar alarm installation made in the insured's premises. Obviously he wouldn't own the central station.

A. I think the philosophy of the Underwriters Laboratories has been that there should be this non-ownership and the whole

Page 103

thing has been built up over the years on that basis.

Page 104

Q. Do you have any thought as to whether or not this question of who has title to the installation affects in any way the efficiency or efficacy of the service?

[fols. 4548-4549] A. My basic thinking, and living in the business, would give me ideas that you could raise numbers of questions but whether they would be valid or not, I don't know. We have always felt in the insurance industry, and we have them guided this way by the Underwriters Laboratories, that you get better protection when

the protective services are under the responsibility of a party other than the one that is being protected.

Q. Under the responsibility and under the ownership of someone other than the person being protected?

Mr. Story: That is not the witness' testimony and I object to Mr. Fritz' testimony.

Mr. Fritz: I am asking him that question.

A. I think within the framework of that answer I had in my mind ownership too, but again these are things that have to be thought through.

• • • • • • •

[fol. 4550] Q. I think you mentioned in your direct testimony, Mr. Pillsbury, that you had heard from members of the central station alarm business that alarms connected to telephone answering services were increasing in the various areas; is that correct?

A. I would say yes. In other words, the number of people who are now engaging in telephone answering service—I would like to restate that: the number of people in the telephone answering service who are offering their services in connection with alarms going in there——

Q. The receipt of alarms in telephone answering services——

A. ——into their switchboards, that is the word I wanted—is on the increase.

Page 123

Q. How did you obtain that information?

A. Well, I have no trouble in obtaining the information; just sit down and talk with alarm companies and you find this has been the experience in the areas in which they operate. I am sure that the Underwriters Laboratories can also bear that out, but again I can produce no statistics.

Q. Does your National Bureau of Casualty Underwriters give any discount whatsoever for alarms tied into telephone answering services?

[fol. 4551] A. No.

Page 126

Q. Do you know of any one insurance company or underwriting organization that grants, as a usual course of their business, discounts for alarms, burglar alarms, attached to a telephone answering service?

A. I cannot give you any specific instance. I will make this statement, that I know of insurance companies that have allowed discounts for certain types of radar systems, the radar eye, which was sort of substandard to what we require in the Underwriters Laboratories, and you may have come in contact with some of that correspondence in your travels, and I pinned these people down because— I will name names: Lumbermen's Mutual, Chicago office, wrote a letter saying they wrote a lot of policies using this discount because it was represented as U. L. approved, and I

Page 127

got a retraction from them before it was all over, but there are cases where insurance companies have gone out and done this kind of thing. I know of this situation because I chased it all over the country.

Q. They are not a member of your National Bureau?

A. No. They are a member of the Mutual Insurance Bureau. When something like that happens, that tends to bring anarchy in the whole works and if it becomes known that this company is allowing a discount for an unap- [fol. 4552] proved type of installation, which they were, then we go after it to try to pin it down and find out "Is this really your policy; is this what you are doing? And when we do this—in this case we found that the manufacturer was taking liberties and I brought him in before my committee and I told him if he continued on I would get a letter out informing the whole industry and he realized that he was doing something he had no business doing. The result was that he would up in a mental institution and his outfit went bankrupt.

Q. You were trying to protect the standards that your National Bureau has established here and

Page 128

Q. You testified this morning concerning ownership of

these protection systems that are installed on a subscriber's premises and you have interpreted paragraph 8 of Defendants' Exhibit 1 as requiring the central station company to own the central station where the alarm receipts come in and also the alarm system on the subscriber's premises. Is that the way you interpret that?

A. Correct.

Q. Is that the way Underwriters Laboratories interprets that paragraph?

A. I certainly think they do. It would be news to me if they didn't.

Q. Have you discussed that with them?

A. If they interpret it otherwise than that I certainly will start dis-

Page 129

cussing it with them, because that is contrary to our understanding.

Page 142

[fol. 4553] A. If the question is such now that you are asking the question not as to which alarm company owns the installation but as to whether or not the subscriber owns it, then this of course has been something that has never been the subject of any discussion, pointed discussion, because it is completely contrary to the philosophy we now have.

Page 143

Q. In other words, your National Bureau doesn't care whether the subscriber obtains title to this system or whether the alarm company retains it?

A. The National Bureau actually doesn't decide that issue. That is decided by the Burglary Protection Council of which I am a member.

Q. Of Underwriters Laboratories?

A. Yes. I would say, sitting here now, knowing the background as I know it, that they would be very concerned.

Q. Have you discussed this problem with any of the officials of Underwriters Laboratories within the last year?

A. I have had no occasion to discuss this with Underwriters Laboratories and have not.

Q. You don't know whether they demand that the system that is installed on the subscriber's premises has to be owned by the alarm company?

[fol. 4554] A. I will put it this way: I would be quite surprised if the Laboratories would subscribe to the idea that it be owned by the subscribed because this is contrary to their philosophy.

Page 145

Q. Did you state a while ago that your company was interested only in the quality of the service to be rendered by a central station company?

A. We are interested in good loss prevention. If that quality includes that, that is what I am saying.

Q. Is there any reason to believe that the quality of this service would go down if the subscriber owned the equipment and the system that he has paid for?

A. Well, you are asking me a question such as this which is looking ahead to a situation in which I am not orientated in my thinking and you are asking me something that is not based on any real thought and my response is that I would be very suspicious that it would reduce the quality.

Page 151

Q. You are telling us now, sir, that the mere fact of ownership of a protection system per se will affect the quality of the service, which your organization is interested in?

A. I am saying it could. We have engaged in discussions with people—I am thinking of radar eye—in which they came up with this transmitter involving the principle of radar and they wanted to put into the hardware stores [fol. 4555] so that the fellow in the hardware store could sell that unit to Joe Q Public and we have fought that battle up and down and said we don't want to be a party to anything in which the owner can go out and purchase a thing and operate it themselves, because you lose a certain degree of control.

Page 152

Your question is that an alarm company can come in and he will have the same degree of control had he had——

Q. Who is interested in this receiving the discount rates for your central station protection service? Who is interested in that? Is the alarm company interested in that?

A. Some will say they are and some will say they are not.

Q. Who gets the ultimate benefit of these discounts?

A. The public.

Q. The premises owner or the person living in the premises?

A. He gets the benefit.

Q. If he owned a system do you think he would be any less interested in receiving your discounts?

A. I don't think he gives a damn whether he owns—about the operation of the alarm system as long as he gets his discount.

Q. He is interested in that discount?

A. He gets his discount and if he could get away with it he would shut the alarm system off.

Q. He is the one who is primarily interested in the

Page 153

[fols. 4556-4557] discounts that you give as listed in your manual of burglary insurance?

A. I would say yes, although I know that you can bring in the other argument—some alarm companies will argue that this is a potent weapon in the selling of an alarm installation and this gives them leverage to make sales. You can point to people like Frank Guibert of the Newark District Telegraph who will tell you that he would just as soon no discounts be allowed at all.

Q. But the insured is the one that ultimately receives the benefit of your discount?

A. Correct.

* * * * * * *

[fol. 4558] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 347

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of HENRY J. POILE, Kedzie-Kane Alarm Co., 301 N. Kedzie Avenue, Chicago, Illinois.

Page 4

Q. State your full name and address, please, sir.
A. Henry J. Poile, 226 East Washington Street, Villa Park, Illinois.
Q. What is your business address?

Page 5

A. 301 North Kedzie Avenue, Chicago 12.
Q. Are you connected with the Kedzie Protective Patrol?
A. I am.
Q. Is this a business which is registered in your name as the owner?
A. Yes.
Q. It is, then, not a partnership nor a corporation but an individually owned business, is that correct?
A. It is a sole proprietorship.
Q. And the sole proprietor is yourself, I take it?
A. That is correct.
[fol. 4559] Q. What is your relationship to that business apart from owner? What do you do?
A. I manage and control it.

Q. I understand you are also a member of the bar of this state, is that correct, Mr. Poile?

A. That is correct.

Q. A member in good standing, I take it?

A. I am.

Q. Now what in general is the nature of the business of Kedzie Protective Patrol?

A. The nature of the Kedzie Protective Patrol is to operate as a Private detective agency and render watchman, guard and patrol service.

Page 6

Q. When was that business established?

A. You mean originally?

Q. Yes.

A. The name was established in 1919.

Q. By whom?

A. My father.

Q. And was the nature of the business the same at that time?

A. It was.

Q. And continued to be so up until the time you took it over?

A. Yes. The business, however, did enter into the electronics field in 1952.

Q. Will you describe for the record what you mean by the electronics field?

A. It entered the field of installing and servicing burglar and fire alarms.

[fol. 4560] Q. On a local or a central station basis?

A. On both. On both a local and central station basis.

Q. How long did it continue after 1952 to carry on the type of businesses that you have described?

A. July 31, 1959.

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[fol. 4561] Q. What are the various types of services that Kedzie-Kane Alarm furnishes?

A. Kedzie-Kane Alarm furnishes central station and local burglar alarm service, central station fire alarm service.

Page 13

[fol. 4562] Q. So then in addition to the equipment in the central station and the use of the leased telephone lines, there is in connection with each type of service, that is, central station service, devices or equipment located on the customer's or subscriber's premises, is that correct?

A. That is correct.

Q. Is that equipment also purchased by you from Potter Manufactuirng Company?

A. And various other manufacturers.

Q. Who are the other various manufacturers?

A. Are you speaking about central station equipment or are you speaking about the entire electronic equipment?

Q. As long as you ask the question, I will make it broad and include both types of equipment, that on the subscriber's premises and the central station equipment.

A. Ninety-five per cent or possible 98 per cent of the equipment is manufactured by Potter. The equipment that we use to connect to our premises, that is.

Q. And the other five per cent?

A. The local alarm equipment that we use comes from various local alarm manufacturers like Ademco, A. W.

Page 14

Fruh & Company, Spies Electric, Imperial Products Company.

Q. Am I correct, then, in understanding your testimony to be that from the standpoint of central station electric protective service, your company furnishes two kinds, burglary and fire protection, is that correct?

A. That is right. We also have holdup alarm service.

Q. That is a special branch of burglary protective service, is it not?

[fol. 4563] A. That is right, just as temperature alarms are a special branch of fire alarm service.

* * * * * * *

[fol. 4564] Q. Do you have any such type of service as sometimes referred to as remote or direct connected service where the subscriber's premises are connected directly

to the police or fire departments of any municipality or locality?

A. Yes.

Q. Where is that service furnished? Not here in the City of Chicago, I take it?

A. No.

Q. Where is it furnished?

A. We furnish that type of service in Downers Grove.

Q. Where?

[fols. 4565-4567] A. Downers Grove. Hillside, Bellwood and Maywood.

Q. Are those areas suburban to the City of Chicago?

A. They are.

Q. Does the service which I have just questioned you about the location of which you have mentioned where your company furnishes the service, is that both direct connection to the police and fire, or is it one or the other?

A. Burglar alarm only and connected to police station only.

Q. Connected only to police station?

A. That is correct.

Q. You have no connections into municipal fire departments?

Page 23

A. No, we have no municipal fire alarms, period.

* * * * * * *

[fol. 4568] Q. I notice, Mr. Poile, that your contracts provide for the retention of title by Kedzie Protective Patrol, and I suppose that is true also of Kedzie-Kane Alarm of the equipment installed on the subscriber's premises, is that correct?

A. That is correct.

Q. How long has that provision been a term of your agreement to your knowledge?

A. Since 1952.

Page 28

Q. At which time you came into the field of central station service, is that correct?

A. That is correct.

Q. And it has continued so up until the present time, is that correct?

A. That is correct.

Page 29

By Mr. Fritz:

Q. Are you familiar with this bulletin, Standard of the National Board of Fire Underwriters No. 71?

A. I have read that book.

Q. I call your attention to paragraph on page 3 entitled "Central Station System," and ask you whether the definition there applies to your company?

A. The underlined portion?

Q. Yes.

[fols. 4569-4570] A. Yes, it does.

• • • • • • •

Q. Now is the service and equipment furnished and used by Kedzie-Kane Alarm approved by an underwriting bureau?

A. Yes.

• • • • • • •

[fol. 4571] Q. And is that true of each type or each branch of service? Take, for example, central station burglary protective service, do you have approved and unapproved service in that branch?

A. That is correct.

Q. Approximately how is that divided percentagewise, would you say, as between approved and unapproved?

A. Actual systems?

Q. I beg your pardon?

A. Actual systems?

Q. Yes, services in operation, installations.

A. I would guess eighty per cent unapproved.

Page 36

Q. Eighty percent unapproved?

A. Unapproved. Twenty percent approved, I would guess.

Q. When you use "guess," you are giving me your best estimate based upon your experience in the business, are you not?

A. That is correct.

Q. So it is really an informed and intelligent guess, isn't it?

A. At the present time I have no idea how many certificates Kedzie-Kane Alarm Company or Kedzie Protective Patrol or its predecessors have issued.

Page 37

Q. Is there any unapproved service in that category of electric protective service furnished by your company in the field of fire sprinkler supervisory, water flow, and the other types of service that you mentioned?

A. Yes, there is.

[fol. 4572] Q. What would be your estimate of the percentages between approved and unapproved in that field as rendered by your company?

A. Again I would guess it is 95 per cent approved and five per cent or possibly less unapproved.

* * * * * * *

[fol. 4573] Q. Is the percentage of credit or premium discount for the services which you render the same for all types of services?

A. Are you talking about fire alarm and burglar alarm?

Q. I am talking about all types of services at the moment.

A. They are not the same.

Q. They are different, aren't they?

A. Yes, they are.

Q. And taking burglar alarm central station protective service by itself, are there different discounts for that in that type of service?

A. There are.

Q. And they are controlled by what or determined by what?

A. The insurance company.

Q. Are those discounts set forth in a manual of burglary insurance?

Page 40

A. They are.

Q. To your knowledge are these the constant discounts for that type of service?

A. They are not.

Q. They are not?

A. Not in Chicago. I understand in various parts of the country, but not in Chicago.

Q. Well, let me ask you this: Do you happen to know what the differential or the difference between truly local [fol. 4574] burglary and central station burglary without the subscriber's keys?

A. As set forth in this manual?

Q. What it would be as set forth in that manual.

A. As set forth in this manual it is, I believe, twenty per cent for a local alarm system and I think it is thirty per cent for a central station without key.

Q. That is right, or a difference of ten per cent, is that right?

A. That is correct.

Q. As set forth in this manual which I have in my hand?

A. That is correct.

Q. Which is the manual of burglary insurance put out by the National Bureau of Casualty Underwriters?

Page 41

A. That is right.

Q. Now I understand you to say that in Chicago—If I understood you correctly, and if I didn't, you tell me—that the discount rates set forth in this manual are not necessarily those in vogue or in existence here in Chicago, is that correct?

A. That is correct, in the sense that an approved burglar alarm installation, central station or local, does not command a reduction in premium as set forth in that manual necessarily.

Q. What happens?

A. That subscriber may or may not be entitled to a preferential rating or rate, because from what I understand from the subscribers, because of the area, the burglary rate in that particular neighborhood, and what have you.

[fol. 4575] Q. So that depending upon local conditions in and about the City of Chicago, the discounts referred to in the manual of burglary insurance that I just referred to may or may not be granted even though the service and the equipment has been approved, is that correct?

A. This is correct.

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[fol. 4576] Q. So that in connection with the solicitation of subscribers for central station fire sprinkler supervisory, water flow and the rest of the systems, the element of discount would be of varying importance and degree, is that correct?

A. I think it is very important except that I never know how much that saving is.

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[fol. 4577] Q. What are the geographical limits in terms of miles, would you say, over which your services are rendered?

Page 48

[fols. 4578-4579] In other words, how far do they extend distancewise?

A. From the central station?

Q. Yes.

A. I would guess again approximately fourteen miles.

Q. In other words, that is the radius—taking your central station as the center, fourteen miles would be the radius, is that correct?

A. Approximately, Yes.

Q. And is that radius applicable to all types of protective service which your companies furnish?

A. Every bit of service that we have is in that area, I would say.

• • • • • • •

[fol. 4580] Q. Is the service which I referred to as direct connected, namely that directly connected between subscribers and the police department, furnished in the

various suburban areas that you talked about—are they within the fourteen mile radius?

A. I am not sure about Downers Grove. Everything else would be. I don't know how many miles Downers Grove is.

Q. Are all of the suburban areas that you have referred to on the outskirts of the City of Chicago?

A. Yes.

Q. Are they all in the State of Illinois?

A. Oh, Yes.

Page 53

Q. How long have you been procuring your equipment of various types, both central station equipment and equipment used on subscriber's premises for use in the rendition of protective service?

A. Since '52.

Q. Do you know who the outstanding suppliers of equipment used in the rendition of central station protective service local or otherwise, are?

[fol. 4581] A. In the central station, is that what you said?

Q. Yes, central station and then I want to ask you about local alarm equipment.

A. The outstanding suppliers I would say probably would be Potter Electric, Central Station Signals.

Q. Where are they, New York?

A. Yes, sir. Reeves Electric.

Q. Reeves Electrical Company?

A. Yes.

Q. How about Notifier Corporation?

A. I am not familiar with their equipment.

Couch I understand produces equipment, too. I am not familiar with it.

Q. C-o-u-c-h?

A. Yes. Bunnell supplies a portion or a part. They supply registers.

Page 54

Q. Where are they located?

A. New York.

Q. Ademco is one, I take it?

A. Ademco, local alarm equipment only, so far as I know.

Q. How about Imperial?

A. Imperial Products Company; Electric Protection Company; I mentioned Potter.

Q. Yes. Walter Kidde Company?

A. Walter Kidde Company.

[fol. 4582] Q. How about Fruh?

A. A. W. Fruh furnishes local equipment.

Q. Sperti-Farraday?

A. I am not familiar with them.

Q. How about the safe companies, Diebold and Mosler?

A. Mosler, I believe, has some type of a safe alarm. I am not familiar with it.

Q. Is the equipment necessary for the rendition of various types of electric protective service readily available in the open market?

A. Oh, I suppose you could say that.

Q. Has that been your experience?

A. We have had problems getting the type of equipment we prefer.

Q. What is the basis for the preference that you have?

A. Our own individual ideas.

Q. From whom do you succeed in getting them, Potter?

A. Potter to a degree but that is why we build this one transmitter, we couldn't find anything on the market that would do the job we wanted done.

Q. But you don't have any trouble getting the components?

A. No.

Q. Is that the only area in which you have had any problem, the matter of the transmitter?

A. Yes.

Q. Is equipment otherwise generally available?

[fol. 4583] A. I would say yes.

Q. I haven't had an opportunity to examine carefully the contracts which you were kind enough to produce and which have been marked as Defendants' Exhibit 2 to 5 inclusive. Do they make any provision for removal of equipment upon termination of the subscriber's contract?

A. I don't remember a specific clause in regard to removal; however, there is a clause whereby we retain title to the equipment.

Q. Yes. And what has been your practice upon termination of a subscriber's service contract with respect to removal of your equipment from the subscriber's premises?

Page 56

A. Normally we remove the equipment.

Q. You do?

A. Yes.

Page 57

Q. Do you have any standard price lists or schedules that you maintain for your respective types of service?

A. None.

Q. Are the prices all tailored to meet the particular service of a particular subscriber?

A. That is correct.

Q. Why is that so?

A. Because each individual installation and each individual premises is a different premises by itself.

• • • • • • •

[fol. 4584] Q. Where the service is purely local, and by that I mean not in anywise connected with the central station or even monitored by the central station, do you still service the local burglar alarm equipment on the subscriber's premises?

Page 59

A. Yes.

Q. And you make a service charge for that?

A. Yes.

Q. But even though you had ten of those adjacent in the same area, the price might be different in all ten?

A. Absolutely.

Q. Because of the varying conditions, is that right?

A. That is correct.

Q. And is that also true with the various types of central station service that you furnish?

A. That is correct.

• • • • • • •

[fol. 4585] Q. Do you have instances in which subscribers go from one type of service to another in your company?

A. I would say that we have had in the past, yes.

Q. And which way have they gone, from that type of service to what?

A. From patrol service to alarm service; from watchman service to alarm service.

Q. Did any of them go from central to local?

A. Yes, some central station service to local.

Page 71

Q. Do you have any idea of the approximate numbers of those who have gone from central station to local?

A. Probably one-half of one per cent, depending upon the economic situation.

Page 72

Q. You state, Mr. Poile, that you do encounter competition here in Chicago and in the environs from various persons and companies which furnish various types of protective services, is that right?

A. Yes.

Q. Which are the companies that furnish central station electric protective service to begin with here in Chicago and the environs?

A. Central station service here in Chicago?

[fols. 4586-4587] Q. Yes, and the vicinity.

A. ADT, Central Watch service—now those are the only two companies other than ours that furnish an approved central station service in the City of Chicago.

• • • • • • •

[fol. 4588] Q. Do you encounter competition in and about Chicago from persons or companies which furnish direct connected service as you do in the suburban areas?

A. There is no direct connected service in the city.

Q. In the city, I know, but in the suburban areas do you encounter competition from others in that same type of service?

A. Oh, yes.

Q. Is that true for auxiliary fire alarm service as well?

A. We are not in that particular business. We have no auxiliary fire alarm system in any suburban area at the present time.

Q. Do you find that some subscribers take that service in preference to the service that you offer? I mean, is it a competitive factor?

A. Not to my knowledge. I don't think that I have [fols. 4589-4590] personally run into that particular phase.

Q. Mr. Poile, do you have an opinion based upon your experience as to whether the bulk of protective service of all kinds in the City of Chicago is of the approved type entitling subscribers to insurance credits or otherwise?

Page 90

A. I would say that it is probably otherwise.

Mr. Story: Was that all types or central station?

Mr. Fritz: All types.

• • • • • • •

[fol. 4591] Q. That is right. Well, now, my question to you is very simply this: Have you secured business from subscribers for central station protective service as against ADT and Central Watch Service?

A. We have secure business that ADT and Central Watch have bid on, yes, either or both of them.

Q. And you have increased the business, have you not?

A. Yes, we have.

Page 98

Q. And you have been successful in your competition as against ADT and Central Watch?

A. In some instances, yes.

Q. Sufficiently to advance and increase your business?

A. In order to stay in business, yes.

Page 123

Q. Mr. Poile, do I correctly gather from what you have

told us from time to time—and I just want to make it clear—is my assumption correct that your business is and has been operating at a profit?

Page 124

[fol. 4592] A. No.

• • • • • • •

[fol. 4593] Q. Mr. Poile, has ADT or has any ADT central station protection subscriber ever asked you to bid on their

Page 180

premises?

A. You mean a present customer of ADT?

Q. A customer at the time he asked you to bid?

A. Yes.

Q. Have you had many instances of that?

A. Several.

Q. Have you taken any customers away from ADT?

A. I don't believe existing customers.

Q. Did you bid on those accounts when you were requested to?

A. Yes, but as a practical matter, it would mean installing a new installation.

Q. Will you describe that a little more fully for us, what you mean by that, sir?

[fol. 4594] A. Well, as a practical matter, a person has an existing installation, and he is soliciting bids on possibly more up-to-date equipment or the equipment that is generally used in 1961, and it means re-installing that installation.

Q. You mean by that a new company has to come in and install an entirely new system?

A. That is correct.

Q. So why does that prohibit you from taking some of ADT customers when they have solicited your service?

Page 181

A. Well, one of the reasons, of course, is that usually when a customer solicits an alarm company and has an alarm company, they do it as a matter of economics, they

do it to see if they can get the same service cheaper than they are now paying or cheaper than they expect to pay, depending upon the extent of the installation.

If you have got an installation that originally cost a thousand dollars, when he secures an estimate, say, from me, and the monthly rental and service charge is maybe less than ADT is presently charging or asking, but it may take too long to get the thousand dollars back that he has to spend for the installation, as a practical matter, depending upon the size of the installation, economically [fols. 4595-4596] the customer will not buy unless he is dissatisfied with the service.

If he is dissatisfied with the service, then we are talking about something else again.

* * * * * * *

[fols. 4597-4598] Q. Now you are telling us, then, in six years or almost seven years now that you haven't been able to get any of ADT's subscribers to change over to your service?

A. The only time, as I say, qualifying that answer, is when there has been a change of ownership, and then only have we been able to secure the business.

Q. And you say the reason for that is that they would have to pay your company for an entirely new installation charge?

Page 184

A. That is right. That usually is the case, I would assume.

* * * * * * *

[fol. 4599] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 348

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, ET AL, Defendants.

Deposition of CHARLES C. PORCH, Factory Mutual Rating Bureau, 518 Turks Head Building, Providence, Rhode Island.

Page 2

Q. May we have your full name?
A. Charles C. Porch.
Q. Your home address?
A. 12 Frederick Drive, Barrington, Rhode Island.
Q. By whom are you employed?
A. Factory Mutual Rating Bureau.
Q. In what capacity, sir?
A. Manager.
Q. Where is the Rating Bureau located?
A. Room 518 Turks Head Building, Providence.
Q. How long have you been manager, sir?
A. Nine months.
Q. Prior to that time what was your position?
[fol. 4600] A. I was assistant district manager for the Milwaukee district of the Factory Mutual Engineering Division.
Q. Approximately how long have you been with the Factory Mutual group?

Page 3

A. I have been with them fifteen years.
Q. Would you describe to us in general terms the organization and aims of the Factory Mutual group?

A. The Associated Factory Mutual Fire Insurance Companies is a group of seven insurance companies, specializing in writing fire and allied insurance for large industrial tasks. Their first emphasis in our program is proper protection and proper prevention, and the insurance is secondary. This has been true throughout the history of the organization, which was founded in 1835.

Q. Does this group of companies maintain an engineering staff?

A. Yes; aside from the seven member companies, there is a Factory Mutual Engineering Division, which is supported by all seven companies. The Engineering Division is charged with the responsibility of engineering the loss prevention work, the review of any type of new construction, new protection. They perform routine inspection work to see that the fire prevention standards are being properly maintained. In addition to this, they will do any special inspection or consulting work which is needed for industrial property that we insure.

Page 4

[fols. 4601-4603] Q. What is the relationship between the seven member companies and the Factory Mutual Rating Bureau?

A. The Factory Mutual Rating Bureau files schedules of insurance rates to be used by the seven member companies. Here again, the Factory Mutual Rating Bureau is an integral part of the overall organization.

Q. It is supported by the seven member companies?

A. Yes, this is true.

Q. It acts as the filing agent with the various insurance regulatory bodies the various states?

A. This is true, yes.

* * * * * * *

[fol. 4604] Q. Would you describe for us what the procedures would be when a person has a premises that he wants to have insured by your group? What does he have to do? What does the Factory group do to determine his risk or eligibility?

A. The first step is to determine if his plant is eligible for Factory Mutual Insurance. This is determined nor-

mally by having an inspecting engineer from the Factory Mutual Engineering Division visit the plant, make a survey of it, prepare a report listing any fire protection, fire prevention deficiencies, make the recommen-

Page 8

dations which would rectify these deficiencies, and the engineer would also prepare an insurance plan. When this is received by the company which is interested in placing this business, they are first faced with the decision "Do we want it as it is? Is it so bad that we don't want it at all, or is it a case that we will take it if certain deficiencies are corrected?" Then they will prepare their rate and this rate is prepared by referring to a schedule of premium deposit rates.

Let us assume that it is one of the most common types of plant in the Factory Mutual system, machine shop—the underwriter in the insurance company will find in the schedule of rates the base premium deposit rate for that [fol. 4605] class of property. He chooses this basic premium deposit, but it is not a matter of choosing it actually, it is designated. This is the starting point.

Having found this, he starts with this schedule premium deposit rate or base rate. He adjusts it according to certain structural deficiencies or credits—they are mostly deficiencies.

Then he has what is known as an adjusted premium deposit rate. I assume you want this in some detail?

Page 9

Q. That is correct.

A. I think it would be important to you. With this adjusted premium deposit rate, he must once again work in any charges or credits for certain protection items. The charges can be based on such things as incomplete automatic sprinkler systems, unusual hazards or poor arrangement of occupancy of the plant.

Credits can be given for certain types of electrical supervision for sprinkler control valves; there is a modes credit there.

After he has applied those credits or charges, he has what is referred to as a 'developed premium deposit rate'.

Here again there are certain charges which can be added, and those charges would be based on deficiencies in water supplies, hydrant protection, exposure, and watchman service.

After he has done that, he now has a balancing of the credits and charges, and he has now what is referred to as the 'final premium deposit rate'.

[fol. 4606] Q. This is the amount that the insured will deposit with the company?

A. Yes. I might qualify that a little bit—the rate is expressed in cents per hundred. He applies that rate to the amount of insurance that the company wishes to carry, and he comes up with a final premium deposit.

* * * * * * *

Q. To go back, you mentioned that after you had ar-
[fol. 4607] rived at the adjusted premium deposit, there were some further modifications that might be made as a result of incomplete sprinkler protection and poor occupancy conditions.

Page 11

A. Yes.

* * * * * * *

[fol. 4608] A. Then we come to the point where there are some credits.

Q. You may proceed.

A. In this particular case, the credits apply to central station supervision of sprinkler control valves, or proprietary system supervision.

[fol. 4609] I might describe the background here just a little bit—the Factory Mutuals have been in business since 1835 and have spent millions of dollars in technical research and development on fire protection and fire prevention. We have probably some of the best protected plants which you can find in the United States today.

Despite this, you can have a multi million dollar loss. Whenever there is such a loss, it is not physical equipment that is at fault—it is the human element. The most common thing, oddly enough, is closing of the automatic

sprinkler control valve. They can do an excellent job, but only if there is water available, and if the valve controlling the water supply, the structural system, is closed when the fire starts, the thing you have been gaining is lost. The thing which has kept industry going firewise is denied.

Page 14

On that basis the Factory Mutuals make a very large issue of proper supervision and fire protection equipment. This is the reason there is a small credit available for having this mechanical type of supervision of sprinkler control valves.

Q. What is the credit?

A. For central station supervision it is 5 percent of the adjusted rate, and for a proprietary system there is a credit of 3 percent.

Q. This is just for valve supervision?

A. Yes; gate valves, the open screw and yoke valves.

Q. This is not waterflow?

A. No, this is not waterflow supervision. This comes in a different category.

Q. Are there other credits of any kind on this phase?

A. Not in this category. We have gone through the [fols. 4610-4611] basic charges and credits for the adjusted premium deposit rate.

• • • • • • •

[fol. 4612] Q. Mr. Porch, I hand you Defendants' Exhibit D, and I refer you to page 4, and I ask you to read [fol. 4613] that first paragraph in the upper left hand column.

A. "Although approved watchman's clocks provide an acceptable means of supervising watchmen, supervision by an approved central station provides additional benefits: (a) security for the watchman in event of accident, sudden illness, burglary and holdup; (b) emergency watch service in the event the watchman is incapacitated; (c) prompt discovery of watchmen's delinquencies; and (d) a convenient method of summoning the public fire department in event of fire. These extra services are especially

valuable where the watchman is the only person on the premises during nonoperating periods."

• • • • • • •

[fol. 4614] Q. Would you explain from Exhibit C what these classes or types of risks are?

A. It is not confined to specific classes or types of risk. It is the general conception that any class or type could be made safe using some sort of electrical supervisory system. The limitation is on the type of system, and again referring to the jargon, the maximum foreseeable loss for the plant.

Q. Would you explain that from Defendants' Exhibit C?

A. Do you want me to quote some actual figures?

Q. If that is necessary.

A. If the conditions at an individual property are such [fol. 4615] that there are no deficiencies in occupancy or protection and the plant is very well maintained, they have all the protection they need. If the plant owner has complete central station supervision, he can dispense

Page 53

with watchman service so long as his maximum foreseeable loss does not exceed $10,000,000.

Carrying this further and going down through the less reliable types of alarm service, you will see that this maximum figure descends through $6,000,000, $4,000,000, $2,000,000, $750,000 and finally where there is no alarm at all $200,000.

• • • • • • •

[fol. 4616] Q. Does the rating division of Factory Mutual inquire as to the ownership of central station systems before granting the 5 percent discount?

A. No. Here again, the field engineer in his report indicates that there is a satisfactory central station supervisory system for the

Page 64

waterflow alarms. It is not uncommon that he will note the kind of equipment there, but it is not mandatory and it is not universal.

Q. I take it then with either proprietary or central station service the rating division is concerned only with the quality of service, primarily concerned with the quality of service, and not concerned as to who might own the devices?

Mr. Williams: I object to the form of the question.

A. Your statement, I feel is correct. We are not at all concerned actually with who owns the equipment, as long as it is approved equipment and is functioning properly.

• • • • • • •

[fol. 4617] Q. Looking at Plaintiff's Exhibit 1, which is the FM approved equip-

Page 73

ment list and the chapter entitled 'Electric Signaling Systems', would you read off for us just the block letter headings in that chapter as they appear there?

A. 'Fire Alarm Systems, Automatic, Heat-actuated'; 'Fire Alarm Systems, Automatic, Smoke-actuated'; 'Fire Alarm Systems, Automatic, Flame-radiation-frequency actuated'; 'Fire Alarm Systems, Manual'; 'Sprinkler-Supervisory Systems'; 'Watchman Supervisory Systems'; Central Station Systems'; 'Proprietary Systems'; 'Remote-Station Systems'; 'Signaling Equipment'; 'Audible Signals'; and 'Fire-Detection Devices'.

Q. All of the sub-headings that you have read contain [fol. 4618] either systems or services that are approved by Factory Mutual Engineering Division?

A. Systems, services, and in some cases component parts.

Q. Turning to the heading 'Proprietary Systems', would you read the first full paragraph under the title?

A. Yes. "A proprietary system is similar to a central-station system but is owned or leased by the owner of the protected property and entirely under his control. They are usually complex systems custom-made for the application."

Page 74

Q. Now will you turn to the block letter heading of

'Central-Station Systems' and read the first full paragraph in that sub-heading?

A. Yes. "A central-station system consists of electrically operated circuits, instruments and devices, together with necessary electrical energy supply, designed to transmit alarms and supervisory and trouble signals to a constantly attended central station where signals are recorded, and experienced operators will take proper action in accordance with prescribed regulations. Such systems are independently owned, controlled, and operated by a person, firm or corporation, whose principal business is the furnishing and maintenance of supervised protective signaling service, and who has no other interest in the protected properties. These systems are adaptable to plants of any size and may consist of a simply manually operated fire alarm system, an extensive system including manual fire alarm boxes and automatic

Page 75

fire and smoke detecting devices with codes signals, and [fols. 4619-4620] supervision of the sprinkler system, waterflow alarms and watchman's tours".

* * * * * * *

[fol. 4621] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 349

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of WALTER W. RICHARDSON, American Alarm Company, Inc., 222 East Ohio Street, Indianapolis, Indiana.

Page 4

Questions by: Mr. Frank A. Fritz.

Q. Will you state your address, please, Mr. Richardson?
A. Mooresville, Route 1, Mooresville, that is my residence address.
Q. Your position with American Alarm Company, Inc. I take it is President?
A. Right.
Q. What in general is the nature of the business of the company?
A. In the protection field, electric protection field.
Q. By "electric protection field" do you mean electric [fol. 4622] protection of life and property?

Page 5

A. Mostly property.
Q. What has been your prior experience in that field?
A. Well, I have worked at it approximately 25 years.
Q. Here in Indianapolis?
A. Right.

Q. As the business is presently conducted, does your company render more than one type of electric protective service?

A. Yes, we operate about four types of service.

Q. What are those four types of service?

A. Mainly local burglary alarm, central station burglary alarm, central station fire alarm, and central station night watch.

• • • • • • •

[fol. 4623] Q. And you are familiar, are you not, with the practice of the industry, that is, a protective service industry, with respect to that particular element, that is, the retention of title?

A. That's right.

Q. Is it a fact commonly in the interest of the industry, all service companies retain title to the equipment on the subscriber's premises?

A. That's right.

Mr. Fritz: Would you like to look at this, Mr. Story?

Mr. Story: No. I take it you are giving us copies of all of those.

Page 15

Q. The second document you handed me is marked at the top "Sample Fire Alarm Contract".

A. That's right.

Q. And I take it from what you have previously said that this is the form of contract which is used by your company for all types of service that are not any wise related to the discovery of fire on the subscriber's premises, is that right?

[fol. 4624] A. That is correct.

Q. This form of contract, Defendants' Exhibit 2, likewise contains the clause concerning the retention by the company of the title to the property on subscriber's premises, does it not?

A. That's right.

Q. Is your testimony concerning the length of the contract as you gave it to us before, the same for fire as for burglary?

A. No, sir, it has to be five only.

Page 16

Q. Five only for what?

A. Fire.

Q. You say it has to be, why is that?

A. That is the insurance companies' regulations, they request that, that is, for accredited company to receive an insurance credit it must be for five years.

Q. How long has that been so, to your knowledge?

A. Well, I don't know.

Q. A long time?

A. It has been told to us anyhow, we have no ruling on it.

• • • • • • •

[fol. 4625] Q. Essentially your business has been and still is predicated on the rendition of protective service of various kinds which is of the unapproved or uncertificated variety?

A. That's right, most companies are that way, all over the United States they are that way.

Q. They are that way?

A. Yes.

Page 33

Q. Do you procure or buy your central station equipment and equipment on subscribers' premises from the same

Page 34

source or different sources?

A. Different sources.

Q. Who is the main supplier of your central station equipment and subscribers' equipment?

A. Central station equipment is approved equipment from Potter Electric & Signal Manufacturers.

Q. Of St. Louis?

A. Of St. Louis.

Q. Do you use any other suppliers besides Potter?

A. Not in the central station, in the subscribers' [fol. 4626] equipment we do, we use A. W. Fru Company.

Q. That is a Chicago company?

A. That is a Chicago company and Ademco.

Q. That is a New York company?
A. Yes.
Q. And the Walter Kidde Company?
A. Yes.
Q. That is a New York company?
A. Yes.
Q. Those latter companies you mentioned after Potter more or less engage in the manufacture and sale of a specific type of detecting equipment, do they not?
A. Yes, installation parts and components of the subscribers' premises.

Page 35

Q. Have these sources you have just mentioned been the suppliers for your equipment for a good many years?
A. Well, Potter has ever since we have been in a central station and certified business and Ademco about five years, and about the same with Kidde.
Q. Have you ever had any difficulty in procuring equipment which you needed, either for your central station or your subscribers?
A. No.
Q. It is generally available from a number of sources, [fols. 4627-4628] is that not right?
A. Yes.
Q. The companies you mentioned, by the way, are not the only ones who are available for supplying equipment of that kind?
A. I know that.
Q. There are quite a few others, are there not?
A. Yes.

* * * * * * *

[fol. 4629] Q. What is the practice of your company, what has been the practice, Mr. Richardson, with respect to the removal of equipment from a subscriber's premises on the termination of your service?
A. Well, sometimes we take it out, the portion of it that we could.
Q. To use?
A. To use again, and sometimes we leave it in, we don't always take it out clean.

Q. By that I take it, you correct me if I am wrong, anything that is salvageable you take out, do you not?
[fol. 4630] A. That's right.

Page 42

Q. Sometimes there is wiring or conduits or tapes around windows that have no salvage value?
A. That's right, sometimes we take the tape out but not all the time.
Q. The only property you don't recover is the property you can't use, is that right?
A. Normally, yes.
Q. How long has that been your practice?
A. Ever since we have been in it.
Q. To your knowledge, is that the usual common practice in the protective service industry as a whole?
A. Yes.

• • • • • • •

[fol. 4631] Q. Have your prices increased or decreased during the past ten years?
A. I would say they have increased.

Page 45

that your company furnishes?
A. Yes.
Q. Has there been an increase on an annual basis, would you say?
A. I would say yes, on the average, I would.
Q. Basically, what were the reasons for the price increasing?
A. Operating costs and labor.
Q. Has there been any detrimental threat in your business during the past five years?
A. No.
Q. It has been on the upgrade?
A. Yes.

• • • • • • •

[fol. 4632] Q. I take it over the years you have been in competition with American District Telegraph Company in connection with business?

A. Well, I imagine we have.

Q. Have you also been in competition with some of these other people whose names you have mentioned a few minutes ago, Circle Alarm and other men?

A. I guess we have, you are bound to be in competition.

Q. But that I mean have occasions arisen in which you and they, or any of them, have been seeking to get the business of a particular subscriber, is what I mean?

A. Yes, we both figure the same locations.

Q. What has been your experience, have you won some and lost some?

A. That's right.

* * * * * * *

Q. Do you have any recollection of securing a contract from Cecile W. Agiter of the Spann Company, Inc., [fol. 4633] Agent, in April, 1961?

A. Yes, that is in our building, the one we are in.

Q. It is the building you are in?

A. Yes.

Q. Was ADT in on that bidding?

A. That's right.

Q. You got the contract?

A. That's right.

Q. How about General Dyeing, Incorporated, in April, 1961?

A. We have the burglar alarm.

Q. Were you bidding for that job against ADT?

A. I guess they bid on it, I don't know who bid on it.

Q. They were the other bidder?

A. I don't know, I just bid on it.

Q. You submitted a bid and you got the job?

A. I submitted a bid and I got the job.

Q. Moran Electric Service, Inc., in February, 1961, does that bring anything to your mind with respect to competition between you and American District Telegraph Company?

Page 56

A. Yes, I got that.

Q. Were they bidding on it, to your knowledge?

A. Well, I guess they were, they were in there and we bid on it.

[fol. 4634] Q. American District Telegraph Company had the prior service?

A. That's right.

Q. And you came in and took it over?

A. That's right.

• • • • • • •

[fol. 4635] Q. How about Jefferson National Life, last October, Life insurance?

Page 58

A. Yes, we have that.

Q. Was that such a competitive bid, as far as you know?

A. Yes.

Q. Who was in on the bidding for it besides you?

[fols. 4636-4637] A. Well, the management told me ADT was figuring it, that is all I know, I don't know who else figured it.

Q. Do you know who got the contract?

A. I did.

Q. How about Walt's Super Market on a number of dates back in September, 1959?

A. Yes, we have those.

Q. Was that also the subject of bidding as far as you know, on the part of ADT?

A. Yes.

Q. But you got the contract?

A. We have them.

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[fol. 4638] Would you mind stating, Mr. Richardson, what total gross revenue of all of your services was for the Year '60 and a few years back?

Page 66

A. Yes. '60 January 1 to July 31, '61. 1960, $133,253.58.

Q. And the six months' period?

A. Six-month period, $87,111.25.

Q. Now, without asking you what the precise dollars

were for the year prior to that time, I would like to ask you this question: Do both of those figures represent an increase over the total gross revenues for prior years in which you were engaged in this business?

A. Well, it's increased each year.

Q. That is what I mean.

A. There has been an increase each year.

[fols. 4639-4641] Q. And, I take it, from the fact that the business has expanded year by year, and the gross revenue has expanded

Page 67

year by year, that the business has been a profitable one; is that correct?

A. Well, yes.

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[fol. 4642] Q. Mr. Richardson, how much did it cost approximately to apply for and get approval from Underwriter's Laboratory to conduct approved central station burglar alarm service?

A. I forget just what it cost.

Q. Was it a substantial amount?

A. Yes, it was.

Q. Why did you decide, after so many years, to get this approval?

A. Well, we wanted to be in the field of an accredited [fols. 4643-4646] system, so that insurance companies would recognize us as a certificated company, and the advertising value from it.

• • • • • • •

Q. During your direct examination, Mr. Richardson, you made mention of the fact that for your fire alarm contracts

Page 94

it is usual for you to have five-year contracts; is that right?

A. That's right.

Q. Was it your testimony that the insurance organizations required five-year contracts?

A. That is the way I have always understood it. I have no ruling in print on that, but I have always understood that the insurance company wanted five-year contracts for

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[fol. 4647] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 351

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, ET AL., Defendants

Deposition of JAMES E. ROSE, Michigan Still Alarm Co., 10410 West Chicago Bldg., Detroit, Michigan.

• • • • • • •

[fol. 4648] By Mr. Story:

Q. Mr. Rose, will you state your home address, please?
A. 1443 Beach Drive, Lake Orion, Michigan.
Q. What is your present employment, sir?
A. My status with the company?
Q. Yes.
A. Oh, I'm the vice-president and treasurer.
Q. Of what company, sir?
A. The Michigan Burglar Alarm Systems, Incorporated, and the Michigan Still Alarm Company, Incorporated.
[fol. 4649] I'm also a director of both corporations.
Q. What is the address of your company?

Page 5

A. 10410 West Chicago Boulevard, Detroit 4.
Mr. Conkling: Excuse me. I understood you to say two corporations. Is that the address of both?

A. Yes, sir.

By Mr. Story:

Q. Are these corporations two separate corporate entities, or is one a subsidiary of the other?

A. No, they are both separate corporations.

• • • • • • •

Q. Now, sir, will you briefly describe the nature of the business conducted by these two companies?

A. We are in the automatic protection business. We supply automatic burglar and fire alarm protection and miscellaneous service to various customers throughout the metropolitan Detroit area.

Q. When were your companies organized?

A. Our companies were founded by my father in ap- [fol. 4650] proximately 1928.

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[fol. 4651] Q. Why did your company enter the central station protection business, Mr. Rose?

A. It was an expansion, was one thought. The second thought is that we were losing what we would call our good customers. After the war, so to speak, there was a building boom in Detroit. I would classify it as this, in my opinion. And as our customers would build new buildings or put additions on their buildings and our customers [fol. 4652] expanded their business, they would want central station service, and we started losing some of our customers.

Also what I would classify myself as good salesmanship, in cases I told some of our customers that we were going to lose that if they would bear with us, we would go into the central station field. It was a matter that if we wanted our business to grow and if we wanted to hang on to our business, so to speak, and develop it, we would have to get into the central station field.

Page 8

Q. During the period, then, immediately prior to 1949, several of your customers had indicated that they intended to change from local alarm to central station?

Mr. Conkling: I object to the form of that question. I don't think the witness has testified to that specifically.

By Mr. Story:

Q. Prior to the time, sir, that you entered the central station protection business, approximately how many of your customers had indicated to you that they were going to change their form of protection from local alarm to central station alarm?

Mr. Conkling: I object to the form of the question.

By Mr. Story:

Q. You may answer, sir.

A. Well, many of our customers did, Mr. Story. I couldn't give you a number. I could give you an indication as an example. The Wrigley Stores in Detroit were what I would consider large customers of ours. We had approximately fifteen local burglar alarms installed for them.

[fols. 4653-4654] After the war, they started building newer stores. They told us that we would lose their business, we wouldn't be allowed to install our protection service in their stores no longer unless we could furnish them central station protection. In fact, we did lose some of their stores. I don't know how many. But they told us if the time ever came that they would be in the central station business, that again when they expanded their stores, they would come back to us and give us their business.

Page 9

Now, this happened with many individuals, but I can't give you a number or exact date. There were a substantial number that indicated that they wanted central station service and if we didn't provide it, we were going to lose their business.

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[fol. 4655] Q. What about remote station alarm service?

A. We do have remote station alarm service, yes. You

are referring to where we make direct connection to fire and police departments?

Q. Yes, sir.

A. Yes, we do have this.

• • • • • • •

[fol. 4656] Q. Now, sir, does your company install and service any proprietary alarm systems?

A. No, not as I know the term "proprietary lines," where we install and the company owns the system and pays the rental service. In the terms that I know "proprietary lines," the answer is no.

Page 13

Q. Does your company engage in auxiliary fire alarm service?

A. As I understand the term "auxiliary fire alarm," we have none.

Q. What is your definition of "auxiliary fire alarm"?

A. An auxiliary fire alarm is one that would be connected to a municipal system, using the municipal telephone lines or the municipal lines between the fire station and the subscriber's premises.

Q. And your company doesn't conduct any of that type of business?

[fol. 4657] A. No. We install remote station systems, where we buy our own telephone line, using our own equipment at the subscriber's premises and our own equipment at the fire stations and/or police stations.

• • • • • • •

[fol. 4658] Q. Mr. Rose, do you have any competition in the central station protection field in Detroit?

[fols. 4659-4660] A. Yes.

Q. What are the names of those companies?

A. I would consider my own opinion that ADT Company is the only competition we have in the central station field. Even though there are other alarm companies that advertise and do do some type of limited central station service, we honestly don't consider them a competitor. Now, this is a matter of opinion.

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[fol. 4661] By Mr. Story:

Q. Mr. Rose, for what period time does your company write central station protection contracts?

A. Generally, for a five-year period. This is our standard method of procuring customers, usually a five-year contract. There are some cases where we accept a lesser time, but they are very few.

Q. What percent of your contracts, your central station contracts, are written for five-year periods?

A. Percent?

Q. Percent.

A. You mean from the point of beginning, and you wouldn't mean right this minute how many customers we got under a five-year contract?

Q. No. When they were originally written, what per-
[fols. 4662-4663] centage would you have under five-year contracts at the present time?

A. A good, fair estimate would be 90 percent of our contracts for new business are entered on a five-year basis.

* * * * * * *

[fol. 4664] Q. Mr. Rose, from whom does your company purchase its device and the equipment which is used in your central station operation?

A. Well, from the Potter Electric Company we buy most of our sprinkler devices, our water flows, O. S. & Y.'s, and such as this. Some of these devices are also bought from the Central Station Signal.

Q. Now, sir, at this point, where is the Potter Electric Company located?

A. St. Louis.

Q. And where is the Central Station Signals Company located?

A. New York City.

Q. All right, sir, will you continue?

A. We have bought automatic fire alarm transmitters from Reeves Electric, New York City. Then we have to have our wire and conduit and our contacts, and these [fol. 4665] things are bought from Ademco. I believe they are in Brooklyn, New York. Some of our contacts are bought from the A. W. Fruh Company, of Chicago. Our wire is purchased from the Rego Wire Company, some

place in New Jersey; and there are suppliers from whom we buy miscellaneous devices—Graybar—and we buy electric motors for our burglar alarm transmitters from the Hayden Manufacturing Company. I believe they are in Connecticut or some place out East.

Page 31

Q. Now, sir, does your company manufacture or assemble any devices which you use in your central station operation?

A. We assemble our burglar alarm transmitters. We buy the motors from Hayden, and we buy the points from Acme Fire Alarm, of New York, and we buy the relays from various suppliers; and we take these component parts, so to speak, and we assemble our own burglar alarm transmitters.

* * * * * * *

[fol. 4666] Q. Mr. Rose, does your company retain title to the alarm systems which are installed on your subscriber's premises?

A. Yes.

Q. At the end of your contract period or at the termination of your central station protection contract, does your company remove the alarm systems from the subscribers' premises?

A. You mean if the customer cancels the service and asks for it to be removed?

Q. Yes, if the contract has been cancelled or terminated and the subscriber wants the service no longer, what does your company do?

A. Well, we remove the salvageable equipment, which usually consists only of the transmitter itself, the control box, and such. The balance of the equipment, it is useless [fol. 4667] to remove. I won't say there haven't been occasions we haven't removed it. We have, but with the thought in mind we might figure somebody is going to go in there and reuse our equipment, so what we don't remove, let's say, and throw away, we destroy. We might go along, foil in the window, we can't remove it, so we will scratch it up so that it can't be used. In some cases we won't scratch it up. We would take our transmitter out, leaving

the other equipment there, hoping the men renting the building will call us up and we put in a transmitter, and we have a new customer. But for practical purposes, the only purpose of removing the alarm is the control box. If there are photo cells, we will remove the

Page 33

photo cells. The other items are abandoned, so to speak.

Q. Could you give us an estimate on your central station burglar alarm systems, in the event that your company removes the system, approximately what salvage value would that equipment have in relation to the cost of the initial installation charge?

A. Well, I would say probably 25 to 35 dollars. This is a general run of the mill type of burglar alarm. I might explain that we could install a burglar alarm in a drug store where we installed contacts and foils and wire and a transmitter, but we could charge this drug store, we will [fol. 4668] say, $200 to make this installation, which would cover the cost of the material, labor, setting the equipment in place. If this customer cancels, the only thing that is any good to us is the transmitter box. It will have a salvage value, like I said, twenty-five, thirty dollars. We could take this same piece of equipment and put it in a large industrial plant, where we may charge a man a thousand dollars or $1,500 to install the system, where we have got maybe one hundred windows to be foiled or so. When we remove the equipment from this type of customer, we still only end up with the transmitter box.

Q. That would be worth about what, sir?

A. Twenty-five dollars, thirty-five dollars. This is a good estimate, twenty-five dollars, thirty-five dollars. So you can't arrive at a percentage. You see what I'm getting at, Mr. Story? You couldn't arrive at a percentage in this particular case.

Page 34

Q. Mr. Rose, as a matter of company policy, does your company allow central station subscribers to pay for the installation charge on an installation basis or over a period of years?

A. As a company policy?

Q. Yes.

A. We have done it, but it is not a policy.

[fol. 4669] Q. What is your policy concerning the payment of your installation charges?

A. Well, our policy is that our installation fee is due and payable upon the completion of the system, and that the service fees be paid on an annual basis. Now, if you want to call this policy, this is what it is.

Now, in many instances we are not able to get the customer to pay the service charge on an annual basis, so we will with not too much of a struggle allow him to pay his service charge on a monthly basis or even a a quarterly or semi-annual basis.

Now, we have in some instances been forced, so to say, to spread our installation charge over a period of a year, in some cases over a period of five years. We have to do this for competitive reasons. Our prospects or our potential customers told us that this was offered to them by others, and namely the ADT—you understand this is what the customer told us—and that if we wanted to get his business, if we didn't want to spread the installation out over a period of five years, we wouldn't get his order. In some cases we got to say no. We can't afford to do this. In some cases it is a good customer and we need the business, so we have to do it.

I can say this: I know that we have lost customers be-

[fol. 4670] cause we wouldn't spread the installation. I can honestly say I know we got customers just for the primary reason we had to spread the installation. I mean, if we hadn't spread the installation, we wouldn't have got the customer.

Q. Why is it your company's policy not to spread the installation charge over a period of time?

A. Economics. We can't afford to invest our—we have to pay for our material in a matter of thirty days. We have to pay our payroll every week. To us it is not good business to take a $5,000 installation—we have to pay cash for all of the equipment. We have to pay cash, so to speak, for our laborers, set this system in place for a customer, and then allow him five years or a year or any length of time to pay for it. If we do this—I mean, we can only do it on a very limited basis. We haven't got the money to spread these installations.

Q. Mr. Rose, does the City of Detroit allow burglar alarms to be connected to the Police Department?

A. From my knowledge, they do not. We attempted this at one time. I have no correspondence to prove this. It was only telephone calls. But the City of Detroit does not allow any

Page 36

type of burglar alarm connected to any of their police stations. The only thing they will allow that I know of is that a Federal Reserve bank is allowed to have holdup [fol. 4671] system connected to the Police Department, but I know nothing about these systems.

Q. Now, what about your Fire Department in the City of Detroit? Are fire alarms, are any fire alarms connected directly to the Fire Department here in the city of Detroit?

A. To my knowledge, no. There is only one exception. A governmental building such as the City Hall or a school or some—let's say a municipal building is allowed to have an auxiliary system connected to the headquarters of the fire station. Individuals, so to speak, plants and stores and such as this, retail merchants, are not allowed to have any type of an alarm system connected directly to the headquarters of the city of Detroit Fire Department.

* * * * * * *

[fol. 4672] Q. Mr. Rose, have you attempted to bid for the protection service of any business here in the city of Detroit where they refused to allow your company to bid for those protection services?

Mr. Conkling: I am going to object to the form of the question. When you say "they," you mean the customer refused to allow——

Mr. Story: (Interposing) The prospective customer, yes, would not accept the bid from your company.

A. Yes, this has happened.

By Mr. Story:

Q. Under what circumstances does that happen, Mr. Rose?

A. Well, one that comes to my mind is Sears & Roebuck. We have attempted several times to bid on retail stores of theirs, new retail stores, and they have told us in correspondence that their work is handled by the ADT Com-
[fol. 4673] pany on a nationwide basis and they are well satisfied with the arrangement and if it ever changed, they will give us a chance to bid. But that time never came. We have never been able to bid any of their stores.

Q. Do you know of any other such instances?

A. I can think of a Mangel—can I look at my notes here?

Q. Yes.

A. I made some notes on some of these things. (After examining papers) I haven't got that with me, but we tried to bid in an organization called the Mandell Department Stores. They opened two department stores here in Detroit, in the suburbs of

Page 39

Detroit. They told us we could bid, but after we made the surveys and furnished the prices to them and attempted to follow through, they informed us that these contracts were let a year ago to the ADT. This was just their policy, that it was handled by their various departments or architects or whoever it is, that this work automatically went to the ADT Company.

Q. Do you know of any other instances, sir?

A. We had an example with, I believe it is the Interstate Department Store, that we were told—my salesman was told that we couldn't bid, that the work was given to ADT. My salesman told me that they couldn't bid, that the work was given to ADT automatically. So I told my salesman,
[fol. 4674] "Why don't you write the treasurer of the firm, the president of the firm, complain about it," which he did; and the president or the treasurer, whoever he wrote to, answered him and told him that he would give us a chance, but these stores on which we had attempted to get the contract long ago had been let.

General Motors is an example. We have attempted many times to sell them service. We haven't been very successful at all. They just automatically tell us—I want to be careful what I say, Mr. Story. It is just generally

known that we can't bid on General Motors business, and —is this in response to a question?

Q. Yes, it is.

Page 40

A. We can't bid on the General Motors or the Ford Motor Car Company.

Q. In other words, your company hasn't been allowed to present a bid to the company in connection with any business installation?

Mr. Conkling: I object. Are you testifying, Mr. Story?

By Mr. Story:

Q. You may answer the question.

Mr. Conkling: I object to the form of the question as leading and suggestive.

Mr. Story: Your objection is noted.

By Mr. Story:

Q. Will you answer the question?

Mr. Conkling: That is what I want it to be.

[fols. 4675-4676] By Mr. Story:

Q. Will you answer the question?

A. We haven't been allowed to bid or been invited to bid on any business for Ford in the central station field, or any business in any of the large automobile industries in the central station field. (See Page 40-A)

* * * * * * *

[fol. 4677] Q. Mr. Rose, since your company has been engaged in the central station protection business, have any of your central station protection subscribers discontinued central station service and reverted back to local alarm service with your company?

A. In ten years, I can think of this happening twice. Converting from central station back to local?

Q. Yes, sir.

A. In ten years, I can think of this happening twice.

Q. Do you know the circumstances under which this request was made?

Page 43

A. You mean the reason they changed?

Q. Yes.

A. The reason the customer gave us for changing in both cases that I'm referring to here was their business was poor. One eventually went out of business, and the other is just kind of hanging on.

[fol. 4678] Q. Now, sir, since you have had your central station in operation, could you give us the number of your local burglar alarm subscribers that have asked your company to discontinue local burglar alarm service and requested your company to install central station burglar alarm service?

A. This has happened over a hundred times. I couldn't give you the number. At the point of beginning when we first went into the central station business, this was a common practice, so to speak. I mean, we were changing local customers to central station customers. We would get as many as three or four a week, sometimes.

To answer your question, over the period of ten years, one hundred or one hundred fifty, maybe even two hundred times we changed local to a central station.

Q. Now, sir, since you have been in the central station operation, have any of your central station subscribers asked you to discontinue central station service and install a direct connected or a remote station alarm system?

A. Change from a central station to a remote connection? None

Page 44

that I can remember. Let me think just a second, will you?

Q. Yes, sir.

A. May I ask my brother? Can you think of an example, Bill?

No, the answer would have to be no I can think [fol. 4679] of none where a customer changed from a central station alarm to remote.

Q. Now, sir, since your company has been in the central station business, have any of your subscribers asked you to discontinue central station service and install a proprietary protection system?

A. No.

Q. Has your company ever installed a proprietary protection system?

Mr. Conkling: I think the witness has already answered that question.

A. We don't install proprietary alarm systems.

By Mr. Story:

Q. You don't at the present time? Have you ever installed any proprietary systems since you have been in the central station protection business?

A. No.

Q. Now, Mr. Rose, after you entered the central station protection business, which I think you stated was in 1949—is that correct?

A. Yes, for all practical purposes, that's correct, yes, sir.

Q. Now, during the time you operated your central station and prior to the time you received any approvals to conduct

Page 45

accredited central station protection service, did you lose [fol. 4680] any prospective subscribers because you couldn't furnish approved central station protection service?

A. Well, sure, we lost many customers. We lost many prospects because we couldn't supply approved service.

Q. How do you know this, sir?

A. Well, in many instances people were building new buildings and we would call on them and we would ask if we could bid; and they would say yes, and the question came down to the point: Are you approved by the Underwriters or Michigan Inspection Bureaus or various inspection bodies that cover these things? And before we had our approval, the answer was no, and at that point we were told we couldn't bid—I mean, it would be useless to

bid. These prospects would not be able to do business with us. We didn't have these approvals.

This happened at the Abner Wolf Company, at Burnham Stoepel, as an example. This happened many times. Prior to us getting our approvals, we had to live with real hard knuckle salesmanship, and in some instances we were able to sell alarm service to people, and we told them that the time would come that we would get our approvals. We got a few, but in most cases we had to stick with the smaller account. We never got a fire alarm, so to speak. I would say that during the period we were toying with the idea of getting possibly in the fire alarm business and [fol. 4681] we were able to sell a

Page 46

couple of fire alarms on the strength of fire protection only. These were practically giveaway systems, so to speak. We had to learn our way around this.

* * * * * * *

Q. Since you have been in the central station protection [fols. 4682-4684] business have you installed any of your central station protection systems in any premises which had previously been protected by

Page 47

guards or watchmen?

A. Yes.

* * * * * * *

[fol. 4685] Q. Since your company has been in the central station protection business, have you met with and talked to any agents or representatives of the American District Telegraph Company?

A. Yes.

Q. Do you recall the first instance after you established your central station when you talked to representatives of ADT?

A. Well, the first instance that I recall would be that I received a telephone call one day from a man by the name of Mr. Halstead, and he told me that one of his

officials, namely, Mr. Smith, was in town and would like to come out and see our central station and be introduced to us.

[fol. 4686] Mr. Conkling: Would you fix the time, please?

A. Well, this was ten years ago, so I would say 1950 or '51. Could have been '49.

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[fol. 4687] Mr. Conkling: Are you able to say now whether the

Page 81

conversation that you have in mind probably took place prior to April 13, 1951?

A. No, I don't think I can change anything, to be honest with you. I talked about nothing during lunch. There was nothing more for me to think about along these lines, Mr. Conkling. Like I said, this happened after '49. It could have been '50 or it could have been '51. I don't know how I can state anything else. I have no record of this.

Mr. Conkling: Would you say the possibilities are equal that what you had in mind took place before or after April 13, 1951?

A. I would say that is a fair statement, yes. Put it this way: this happened in the summer months. It was in July [fol. 4688] or August. I remember it was a very hot day. So that this could have been the summer of '51, or it could have been the summer of '50; so consequently this would have been after April of '51 that this could have happened.

Mr. Conkling: Well, then, upon that statement, and reserving any rights we may have as to the giving of the testimony or to its admissibility, without waiving or intending to waive any such rights, and without conceding that this question could not be determined by ruling now before the local court or at any other future deposition, I shall withdraw my suspension of the deposition and allow the testimony to proceed.

Mr. Story: Very well.

Page 82

By Mr. Story:

Q. Mr. Rose, I can't recall how far you had gone into this meeting, other than establishing the fact that it was a date and that a man by the name of Halstead had called you and stated that a Mr. Smith was in town and wanted to see your central station.

Now, would you continue from there and tell us what took place thereafter?

Mr. Conkling: I object to the suggestion that any fact was established; but answer the question.

A. I received a call from Mr. Halstead, and he asked if I would like to meet Mr. Smith. And I told him I had no [fol. 4689] objections, and at that Mr. Smith and Mr. Halstead and another man by the name of Mr. Thornton came out.

Q. Now, sir, let me ask you this: What was Mr. Halstead's position, if you know?

A. From my understanding, he was the operating manager of the Detroit central station.

Q. Now, what was Mr. Smith's position with ADT at that time, if you know?

A. I believe Mr. Smith had something to do or was the national sales manager. I believe he indicated this to me, that he was the national sales manager. I know he was represented to me as an official from New York.

Q. Now, Mr. Thornton, what position did he hold, if you were told during this meeting.

Page 83

A. My understanding is that Mr. Thornton was the operating manager covering the district that Detroit is in.

Q. Now, sir, you said these gentlemen came to your office?

A. Yes.

Q. Who did they meet with at your office?

A. My father, myself, and my brother.

Q. What brother was that, sir?

A. William Rose, Jr.

Mr. Conkling: This is the Mr. William Rose [fol. 4690] present here now?

A. This is the Mr. Rose that is present here now, yes. He is one of the parties that were there.

By Mr. Story:

Q. Now, sir, tell us what you can recollect as having occurred or being said.

A. Well, after them introducing themselves, so to speak, they wanted to see our station, and we accommodated them. We showed them our central station. After that, they came up and sat in our own private office. One of the things Mr. Smith said to me, that he was concerned over the accounts that we had supposedly taken away from the salesmen of the ADT Company. He had a list with him, and he read some of these names of accounts that I recognized immediately that were sales that I had made probably in the last year. And he told me—he wanted to know how I got these accounts, and I said, "Well, various reasons. They call us, or we solicit their business." In some instances,

Page 84

some of these accounts had built new stores. In some instances, the accounts had moved from one location to another, or else opened up other locations. And with this he wanted to know what prices we got for our installations and our service charges.

And I told him that this was none of his business. In fact, I told him that he should run his business and we would run ours.

[fol. 4691] He asked me then, he said, "When are you going to go in the Army? I remember him saying this. I don't think this has any bearing on the case, but this is something he said to me.

And I told him that I already served in World War II. And he said, "You better look out; the Army be getting you."

Now, my brother tells me that during this meeting he made a threat to us.

Mr. Conkling: Wait.

By Mr. Story:

Q. Just testify, sir, to what you personally can recollect as having taken place at this meeting.

Mr. Conkling: Excuse me just a minute. Off the record.

(Short discussion was had off the record.)

By Mr. Story:

Q. Is that all that you can recall, sir, about this first meeting with representatives of ADT?

A. Yes, this is all I can recall.

Page 85

Q. Now, sir, did there come any other time when you heard from or discussed matters with the American District Telegraph Company?

A. The next time that comes to my mind——

Mr. Conkling: (Interposing) Excuse me. Are you fixing the time now?

A. This is one that I can fix the time, yes, sir. The next [fol. 4692] time that I had a conversation with ADT was after we had got the Demery Department Store contract, and this was in August 1962.

By Mr. Story:

Q. 1962?

A. I beg your pardon. August 1952.

Q. Tell us the circumstances under which you had contact or discussed matters with representatives of the ADT Company.

A. Well, we got the contract from Demery's. We had started the installation, and I went to my office one morning and Mr. Hall, Don Hall, of ADT, had called me.

Q. What was Mr. Hall's position, sir?

A. I understand that he was at that time the district sales manager for ADT, covering not only Michigan but other states. He was quite perturbed over us taking the Demery Department Store.

Q. Tell us what he said rather than to characterize it as perturbed.

A. Two things they mentioned to me that scared me, so to speak. Number one, he told me, he said, "You know that we have eight to fifteen salesmen," and he says, "I got them all sitting in

Page 86

my office now," and he says, "We feel like going out and raiding all of your accounts." He said, "We are not going to stand for you taking business like this away from us." He said, "Demery Department Store was a long-time customer of ours, a very good customer of ours, and you had [fol. 4693] no business going down there and entering into a contract with these people, especially he said, "you know, you have just got your approvals for fire alarm protection. What makes you think you are equipped to put this type of service in?"

I remember him saying this very nasty. And he also mentioned that he could go to his New York office and get them to put a million dollars in this town—this is the words he used—and it will run us right out of business.

Q. Now, do you recall anything else that you said to Mr. Hall or he said to you?

A. No. It just scared me, that's all. I don't remember anything I said to him, to be honest with you. He just scared me. I recall, now that I mention it—maybe I said this—he asked me the price I got for the installation, and I told him it was none of his business. I told him they called us and that we went down and gave them a price and entered into a contract. That's all.

Q. Had you actually solicited this account—what was the name? Demery's?

A. Yes, sir. Demery's.

Page 87

Q. Or had they called you for a quotation?

A. They had called us. We positively did not solicit the account.

Mr. Conkling: You answered both of those questions [fol. 4694] affirmatively, Mr. Rose? Mr. Story asked did you solicit or did they call you.

A. I said they called us. We did not solicit the account. They definitely called us.

By Mr. Story:

Q. And ADT had a system in the building and was servicing them with central station service at the time you made your bid?

A. Yes, sir.

. . . . . .

[fol. 4695] By Mr. Story:

Q. I think it is your testimony, and if I'm wrong you correct me, but didn't you testify that Mr. Hall during this conversation over the phone had accused you of raiding their accounts? Have you testified to that, sir?

A. I didn't believe I testified to that.

Q. Did that come into this picture?

Mr. Conkling: I object to the form of the question.

A. Did this come into this picture, do you say?

By Mr. Story:

Q. Yes.

A. I know he asked me what we got for the job. I'm pretty reasonably certain he asked me how the prospect came to us; but I wouldn't want to say for sure, because the thing that was important in this phone conversation to me, anyhow, was the threat he made to me about their salesmen raiding our accounts and the threat he made to us about his people or his New York office or his company, in so many words, investing a million dollars in our town to put us out of business. Now, with this, believe me, if you could visualize yourself in my position, it scared me. [fol. 4696] Q. Now, sir, did there come a time after this conversation with Mr. Hall, which I think you placed in 1952, when you had any further meetings or conversations with representatives of ADT?

A. There were several times that we would take certain

customers of theirs, and I can't give you any examples, that after we would get these customers, that Don Hall would call up and complain about it.

The next time that there was a real threat made was after we had got the Goebel Brewing contract, the original Goebel Brewing contract.

Q. What was that, sir?

A. In 1957.

Q. Now, what took place in 1957 after you had obtained the Goebel Brewing account?

A. I got a call from Don Hall, and he asked me if I would go to lunch with him. I said if he would like to come out to our office, I would go to lunch with him.

He said, "Fine. I'll be out."

So he did come out, and he sat down in our office, and he started right in on me. He says, "Jimmy, I want to tell you something." He said, "You people went down to the Goebel Brewing Company and took a very lucrative piece of business away from us." And he said, "I'm not going to stand for it."

[fol. 4697] And I asked him, I said, "How do you mean, we took a piece of business away from you?" I said, "They acquired a new building on Maple down the river. Their insurance company had called us. We went down, gave them a price on automatic fire alarm service. They accepted it. We gave them a contract

Page 90

and started the installation. You had no service in there."

He said, "For your information, Goebel Brewing Company is an old-time customer of ours here in their main plant in Detroit, and also in Muskegon." And he said, "Like I said, we were expecting to get this order. You had no business even giving them a quotation. You should have called me up and told me that they asked you to give them a quote."

Q. What did you tell Mr. Hall?

A. I said, "Mr. Hall, let's stop here." I said, "You called me up that you would like to go to lunch with me." I said, "Do you want to go to lunch with me, or don't you? I don't care to talk about this no longer."

Q. Did you go to lunch?

A. Yes, we went to lunch.

Q. Where did you go to lunch?

A. We went to lunch at a place called Gremels on West Chicago.

Q. Where is that located, sir?

A. About three or four blocks from our central station. [fol. 4698] Q. Was there any conversation between you and Mr. Hall at this lunch?

A. He mentioned to me that he had to take a complete physical. We got talking about it. I think I ordered a drink, and my brother also ordered a drink.

Q. Just one moment, sir. Who was in your office with you at the time that Mr. Hall originally was there, or were you there alone?

Page 91

A. No, my brother was there.

Q. Just the two of you?

A. The two of us were there.

Q. Did Mr. Hall have anyone with him?

A. No. He was by himself.

Q. And your brother went with you to lunch?

A. Yes, sir.

Q. Now would you continue with what the conversation was at lunch?

Mr. Conkling: You were saying about you ordered a drink, and you think your brother ordered one. I think that's where you left off.

A. Yes. And Mr. Hall made a remark to me that he couldn't drink anything. I don't know why he passed this remark, but he had to take a company physical, and it was admitted to me that there was something in the policy of the ADT that people of his capacity had to take a physical [fol. 4699] periodically once a year or every five years, something of this nature, and this time was now, and prior to this physical he had to abstain from drinking so many days. I think with this we had a few drinks, ate, and left. That's all there was to it. I was pretty nervous about the whole situation. I was just glad to eat and get out of there and have him leave the office.

Q. And that is all that you can recall as having taken place at this meeting?

Page 92

A. Mr. Story, I want to project this to you. I can't remember any exact detail word for word, you know, what was said here; but he was very bitter about this Goebel account, and he said that—I don't know if I mentioned this in my deposition or not—he wasn't going to stand for it and neither was his New York office going to stand for it, and they were going to do something about it. But he didn't mention what they were going to do, because he implied that they didn't know what they were going to do yet, but they were going to do something about it. They weren't going to stand for this happening.

Q. Now, sir, after this time did there come a time when you met with or talked to a representative of American District Telegraph Company?

A. That was in '57, wasn't it? It seemed to me there was another time, but I can't remember, to be honest with [fol. 4700] you. I'm trying to think. There was the threat of Demery's about the million dollars being floated in Detroit. I can't recall now, Mr. Story.

Q. All right. Now, sir, since your company has been in the central station protection business, has any representative of ADT ever made an offer or attempt to purchase your company?

A. Yes. Now that you mention that——

Mr. Conkling: (Interposing) Note my objection to the form of the question again as leading and suggestive.

A. Well, the answer to your question is yes, it happened.

Page 93

By Mr. Story:

Q. Tell us under what circumstances or how this offer was made.

A. This happened during this luncheon meeting when he was out at Gremels. He made mention——

Mr. Conkling: (Interposing) Who, now, are you talking about?

A. Don Hall made mention during this luncheon meeting

at Gremel's that he was in a position to offer to buy us out and would be interested in this.

I told him that I know no other business. This is the only thing I have ever done all my life, my working life, so to speak, and that I wouldn't be interested in selling our business out.

He said, "Well, if we paid you enough money, you [fol. 4701] might be."

I said, "Well, probably everybody has a price," but I said, "I don't think we want to talk about it."

My father had just passed away two or three months prior to this, and we were kind of in confusion, so to speak, of settling the estate and things of this nature. So I didn't want to talk about this, anyhow. We wasn't interested in selling out. There was nothing for us to talk about. The answer is, I told him no, we weren't interested.

Q. Mr. Rose, have any representatives or have you had any contact with representatives of Grinnell Corporation?

Page 94

A. Yes.

Q. Concerning the installation of sprinkler supervisory and water flow alarm systems?

A. Yes.

Mr. Conkling: I object to the form of the question as leading and suggestive.

By Mr. Storey:

Q. Would you tell us about the discussion or contact that they have made?

(There was a brief interruption.)

A. Our superintendent——

By Mr. Storey (interposing):

Q. We probably ought to wait until your attorney gets back. He won't be long.

[fol. 4702] (Mr. Basso returned to the hearing room.)

A. The question you wanted to know is if we had any contact with any people at Grinnell Corporation?

Q. Yes, that's the question.

A. Yes. My superintendent, Walter Gilbert, reported to me——

Mr. Conkling: (Interposing) Would you fix the time, please?

A. This is approximately 1958. We were installing a sprinkler supervisory service system for the Houghton Company here in Detroit.

Mr. Conkling: H-o-u-g-h-t-o-n?

A. I believe it is the I. E. Houghton Company. And I believe it was 1958. I have a record of the contract, so I could, if you

Page 95

want me to, furnish this date to you precisely.

My superintendent, Mr. Gilbert, passed the remark to me that our installer on the job, Ted Huffer, had passed a remark to him that during installation of us installing our devices, our switch on the O.S. & Y. valves, that the Grinnell representative told our man——

Mr. Conkling: (Interposing) Let me see. The Grinnell man is said to have told your installer, who is said to have told Gilbert, who you say told you——

A. (Interposing) Yes, sir.

[fol. 4703] Mr. Conkling: I may as well make my motion now to strike all of this triple or quadruple hearsay.

By Mr. Story:

Q. Was this reported to you in the regular course of your business, in directing the activities of your company, sir?

A. This was reported to me during the regular activities of our business, yes, sir.

Mr. Conkling: Was it reported in writing, Mr. Rose?

A. No, it was not reported in writing.

By Mr. Story:

Q. Would you continue, sir?

A. The Grinnell man told our installer that the method that we were using to install our devices on the O.S. & Y. valves, that he was going to twist and break the O.S. & Y. valves off and then tell the customer that we installed the device wrong.

Page 96

Q. Did anything like that occur?

A. Nothing like that happened, no. So I questioned my man, Ted——

Q. (Interposing) You talked to him personally?

A. Oh, yes, I talked to him after this personally, yes, sir.

Q. What did he tell you?

A. He told me the same thing. He said that the Grinnell man—and he knows his name. I asked him if it ever became necessary, would he sign a statement to this effect and would he be willing to testify to this, and he said yes. [fol. 4704] So I told him, I said, "You should make a mental note of this." I said, "This might be something some day that will be interesting."

And he said that the Grinnell representative—and he knows the man's name—said that he was going to break the O.S. & Y. valves and blame it on the way and the method that we installed these devices on the sprinkler system.

Q. Did that system of yours pass the insurance bureau's inspection?

A. Yes, it did.

Q. Now, sir, did there come a time later when you had any other contact, you or any of your representatives, with representatives of the Grinnell Corporation?

A. Yes. To be honest with you, after this incident with the Houghton Company, I called the Grinnell Company.

Mr. Conkling: Would you fix the time, please?

A. I beg your pardon, sir?

Mr. Conkling: Please fix the time, if you can.

Page 97

A. This was during the time of installation. Like I said,

this installation, I believe we entered into the contract sometime in 1958. I can check our records and find out. I can also go back, I believe, and find out when this system was inspected by the Inspection Bureau, and I can find out when we made the installation to a degree necessary to pinpoint it down to the month.

[fol. 4705] But after I had talked to our man, Ted Huffer, I called the Grinnell Company.

Q. Where?

A. Here in Detroit. And the lady that answered the telephone, I asked for who was in charge of the Detroit office, and she told me the man, but I don't remember his name.

I introduced myself, and I explained the situation to this man, and he said he didn't know anything about it, but he would check into it. And that's all there was to it, have I anything else to say to him, and I said, no, that I don't like this type of remark.

And he said, "Well, I'll check into it." It was short and sweet.

Q. Did you ever hear from him?

A. No, sir, I never heard from him.

Q. Have you or any representative of your company had any other contacts with the Grinnell Company?

A. Yes. During the time that we installed our sprinkler

supervisory service for the Velvet Division of Sunshine Biscuit Company, the Grinnell people told our installation people that they were going to inform our subscriber that our installation modifies the sprinkler system to the degree that the Grinnell Company will cancel their guar-

[fol. 4706] antee on the sprinkler system. This was reported to me by Walter Gilbert, Ted Huffer, and Danny Minihan.

Mr. Conkling: Who is Danny Manihan?

A. He is one of our installers. And this incident took place sometime in 1958.

By Mr. Story:

Q. Now, sir, after receiving that, did you call or contact anyone in the Grinnell Corporation?

A. No.

Q. Did you continue and install your sprinkler supervisory system in that plant?

A. Yes.

Q. Was that system approved by the insurance organizations having jurisdiction?

A. Yes, it was.

• • • • • • •

[fol. 4707] Q. (interposing) What is the purpose, prime purpose, of the central station system?

A. Protecting life and property, both.

Page 137

Q. And what is the purpose, the prime purpose, of the direct connected or remote station services that you sell and service?

A. Protecting life and property.

Q. And what is the prime purpose of the local alarm systems that you sell and service?

A. My opinion of the prime purpose of local alarm systems is to protect life only.

Q. You think there is no purpose there in protecting property?

A. Put it this way: What would it matter what I think? We have no——

Q. (Interposing) Mr. Story noticed the deposition. I don't know what it serves, what you think, Mr. Rose, but we are here and you answered questions for him, and I have got to ask you questions——

Mr. Story: (Interposing) Just a moment. What was the last question?

A. My opinion of a local fire alarm system is that I think it will protect neither life nor property. I think a local fire alarm system, in my estimation—and this is certainly more opinion and my opinion only—from what I [fols. 4708-4709] know of local fire alarm, local firm alarm systems, they are useless.

• • • • • • •

[fols. 4710-4711] Q. Now, you testified that the standard term of your contract is five years.

Page 145

A. Yes, sir.

Q. That is for all types of service?

A. Yes, sir.

Q. How often do you depart, if ever, from that standard?

A. I would say ninety per cent of the time we get a five-year contract.

Q. And if you don't get a five-year contract, what term do you get? As close to five years as you can?

A. No, I wouldn't say that. There are circumstances that come into these things. Some people may only have a lease for three years. Consequently, they will say, "I can only sign a three-year contract." So we will agree to this. But we ask them why they don't want to sign a five-year contract.

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[fol. 4712] Q. Have you ever had any difficulty in obtaining any device or equipment that you need in the operation of your business over the last ten years?

A. Over the last ten years?

Q. Yes.

Page 152

A. No.

• • • • • • •

[fol. 4713] Q. But in any event, with no equipment or device have you had any trouble getting what you needed to do what you have to do?

A. We had one experience in ten years where we had a customer that wanted a holdup system, and the type of a rail that he wanted to actuate this holdup system, after it was described to me by this client, was a holdup rail that was only available.

Page 153

to my knowledge, from the ADT Company, and my brother

tried to buy one and was unable to. This is the only experience.

Q. Was this a particular or special kind of holdup rail? Does it have a specific name in the industry?

A. I don't think it has a specific name, other than it is a foot rail that's designed to—when you hit it with your foot, it will trip a holdup alarm.

Q. Did your brother write to the ADT Company?

A. He spoke to the ADT Company about it. I don't [fol. 4714] know if he wrote them or not.

Q. Would you fix the time when this is supposed to have taken place?

A. No, I can't.

Q. Can your brother, if you consult with him?

A. Well, if you want to go off the record, I'll ask him.

Q. Certainly.

(Short discussion off the record.)

A. O.K., I'm ready to answer your question.

Q. Will you put it on the record, please?

A. We had one customer, approximately 1957, namely, the Hall's Warehouse, that wanted a hold up rail such that was only available from the ADT Company. My brother attempted to get this from the ADT Company, and from the Reeves Electric, and was unable to do so.

* * * * * * *

[fol. 4715] Mr. Conkling: The witness has produced a sample form of contract on the letterhead bearing the name of his company, apparently used for central station burglary and holdup protection service. At the bottom of the sheet and on the reverse side there are notes made by the witness, I assume, or under his supervision, indicating when this particular form and some predecessor forms were used. Is that right?

A. Yes.

Mr. Conkling: Would you mark that as Defendants' Exhibit 5.

(A contract was marked Defendants' Exhibit 5 by the reporter.)

[fol. 4716] Mr. Conkling: And he has also produced a sample form of agreement for burglar alarm service, which also has

Page 159

notes on the reverse side thereof, for the same purpose, which I would like to have marked Exhibit 6 for identification.

(The agreement was marked Defendants' Exhibit 6 by the reporter.)

Mr. Conkling: Then the two top sheets are sample forms of contract for sprinkler supervisory and automatic fire alarm systems, the top one indicating by a note that it is presently being used, and the bottom having been in use from '55 up until '[illegible]

Would you mark those Defendants' Exhibits 7 and 8, respectively, please.

(The contracts were marked Defendant's Exhibits 7 and 8 by the reporter.)

By Mr. Conkling:

Q. Now, Mr. Rose, I note that these sample forms of contract all contain a provision reserving to your company the right to remove equipment and the title to the equipment remains with your company during the life of the contract. Is that right?

A. Yes, sir.

Q. Do you know whether that requirement or that pro-
[fol. 4717] vision is required by the insurance or underwriting organization?

A. According to the rules at one time, it was spelled out that the alarm company, the installing company, should install the alarm and be responsible to maintain it. Now, how firm this was I don't know, and whether this rule still exists I don't know.

Page 160

Q. Do you know whether this provision for ownership remaining in the alarm company and for retention of title is usual and customary in the alarm industry, based upon your experience?

A. I know in our experience, I believe in the experience of the ADT and others, that it is customary for the alarm company, all alarm companies, to own their equipment they install.

Q. And you did testify in answer to Mr. Story's questions that upon the termination or cancellation of a service contract that you remove salvageable equipment. Right?

A. I did testify to Mr. Story on a burglar alarm system that in some cases we remove everything. In some cases we take nothing out except the control equipment.

Q. In the hope that if there is a new tenant, you will get the new business; is that correct?

A. Yes. There is no set pattern. In most cases, on burglar alarm systems, we remove the control boxes and photo cells, if any. The balance of the equipment is either abandoned by us or rendered inoperative.

[fol. 4718] Q. And you said something about scratching up the foil?

A. This is what I meant by saying——

Q. (Interposing) This is what you mean by rendering it inoperative?

A. Yes. We do whatever is necessary to make it inoperative or useless to anybody else.

Q. Because it would cost somebody else something to put it in, and you would rather not have someone else use what you had left

Page 161

there?

A. Yes. We also take the position, too, if we abandon equipment in the customer's building, we don't want anybody else using it. We don't know what the repercussions could be if some other person went in and used our alarm device and they found that they didn't work and then blamed it on us and say, "What's wrong with your device?"

Q. Has that ever happened to you?

A. This is a thing we try and police ourselves so it don't happen. We don't want to put ourselves in this position, Mr. Conkling.

Q. It is preventive medicine?

A. Yes.

Q. It has been successful so far in your experience?

A. It has been what, sir?

Q. Successful?

A. Yes, to a degree. Sometimes we get careless and we [fol. 4819] just remove the transmitter boxes and leave things in place. So I can't testify that we have any firm policy, and if we have a firm policy, that we have carried it out precisely to the policy.

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[fol. 4719a] A. The Grinnell man told Mr. Huffer that he was going to damage the O.S. & Y. valve, namely, snap it off—I can describe it this way—and tell our customer that it was the fault of our equipment and device that was installed on that O.S. & Y. valve.

Q. And that customer, you say, was the I. E. Houghton Company?

[fol. 4719b] A. I know it is either E. I. or I. E. Houghton Company, yes.

• • • • • • •

[fols. 4720-4724] Q. And I take it that some of the customers or potential customers to whom you talked in that fashion believed you and became your customers, and others didn't. Is that right?

A. Some of them believed us and became our customers, and some of them didn't, as far as central station burglar alarm could go.

However, when we got to the fire alarm field, like I explained, this didn't happen. We weren't able to convince people to do business with us before were were approved. I mean we couldn't convince people to buy our automatic fire alarm system and our sprinkler supervisory service before we were approved.

Q. And since your approvals, you have been able to convince a good many people otherwise; isn't that so?

A. Sure.

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[fol. 4725] Q. Let's get back to the meeting. I'm talking about you testified this morning, answering Mr. Story's questions, that shortly after you obtained your approval or when you were awaiting

Page 185

your approval, Mr. Hall called you, and, among other things, you testified that the ADT Company had a million dollar fund back in New York that they were going to use here in Detroit contrary to the best interests of your company, didn't you?

A. Put it this way: It is on the record what I testified, and you said a big mouthful there. I didn't say that Don Hall called on me prior to us getting our approval. I said Earl Smith called on us before we had our approval. I mentioned Earl Smith came out—I believe this is the point we had the argument. I couldn't establish when Earl Smith came out.

Q. Let's talk about the million dollar fund you mentioned. When was it you heard about that fund?

[fol. 4726] A. Mr. Hall told me in 1952, in August, after I got the Demery Department Store contract, he called me, and, like I explained in my deposition this morning, he was very perturbed that we, in his words, raided his account, and he wanted to know the price and all such things as this, which I refused to talk about to him; and he mentioned to me that he has got eight to fifteen salesmen sitting in his office right now that are in the mood to go out and raid all of our accounts; and he further mentioned to me that he could have available to him a million dollars to spend in this town to put us out of business. He made the threat in so many words, and, like I said in my deposition this morning, this scared me. I can't

Page 186

tell you word for word what this man said. This is absolutely humanly impossible. He threatened me to the point that he was going to send all of his salesmen out and raid our accounts, and he threatened me that he was going to go to his New York office and get a million dollars to spend in this town, and this is the words he used, a million dollars in this town to put us out of business, and I better lay off of his customers.

Q. Did you ever make any record of that conversation, written record or memorandum?

A. No. Why would I make a written record of a con-

versation like that? This was the very first job—I should [fols. 4727-4729] retract this. I believe this was one of the first five jobs that we were able to get after we got our official approval from the Michigan Inspection Bureau, and I invested a lot of time and money in this approval, and my interests now were getting this back by making sales and getting accounts.

* * * * * * *

[fol. 4730] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT NO. 352

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY, and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of GEORGE W. SAUNDERS, Underwriters Laboratories, 207 East Ohio Street, Chicago, Illinois.

Q. Will you state your name, Mr. Saunders?

A. George W. Saunders.

Q. What is your home address, sir?

A. 2136 Golf Court, Glenview.

Q. What is your present employment, sir?

A. I am the managing engineer of the Burglary Protection Department of the Underwriters' Laboratories, Incorporated.

Q. How long have you been employed by Underwriters' Laboratories?

A. Seventeen years.

Q. What was your first position with Underwriters' Laboratories?

A. Assistant Engineer, Burglary Protection Department.

Q. Would you briefly describe your duties during that period of time, Mr. Saunders?

A. I worked on the investigation of burglary alarm systems, the administration of our certificated

[fol. 4731] Page 4

service, which is a field followup service at the New York office of Underwriters' Laboratories.

Q. The last part of that?

A. At the New York office at the Underwriters' Laboratories.

Q. In that position, sir, did you have an area in which you traveled to inspect various certificated alarm systems throughout, say, the New York area?

A. Yes, the New York office covers the East Coast, approximately as far west as Pittsburgh. In other words, the seaboard.

Q. Now, sir, how long did you remain in that capacity with Underwriters' Laboratories?

A. Until 1954.

Q. And what did you do in 1954?

A. I was transferred from the New York office to the Northbrook office.

Q. And where is the Northbrook office located?

A. That is at 2550 Dundee Road, Northbrook, Illinois.

Q. And what was your position at that time?

A. Essentially the same as it had been at New York. Very shortly thereafter I became senior project engineer.

Page 5

Q. Mr. Saunders, after you came to the Northbrook Division, how long did you continue to travel in the field and inspect various alarm systems?

A. I have never ceased to do so. This has been a continuous thing for the seventeen years I have been with the Laboratories.

Q. Do you continue to do that in your present position?

[fol. 4732] A. In a more limited degree.

Q. When did you become the managing engineer of the protection department of the Underwriters?

A. The burglary protection department.
Q. Burglary Protection Department.
A. In December of 1962.

• • • • • • •

Q. Mr. Saunders, could you briefly describe for us purposes and functions of Underwriters' Laboratories as it relates to the burglary protection field?

A. First of all, our purposes is to investigate and evaluate various types of burglary protective apparatus which is submitted to us for qualification under our standards. This may include all types of electric protection systems, physical devices, such as combination locks; safety deposit box locks; burglary resistant safes and chests; tear gas systems; electronic systems; drive-up windows.

[fol. 4733] In addition to that, we administer the certificate service. The certificate service is a service whereby the installing company, the operating company, is qualified by Underwriters' Laboratories and is then permitted to issue Underwriters' Laboratories' certificates to specific installations which have been installed and maintained in accordance with our installation standards.

Q. Basically, forgetting protection for a moment, what is Underwriters' Laboratories?

A. Underwriters' Laboratories, I believe, could

best be described as a safety engineering organization. We are a non-profit organization. Our purpose is to investigate products for safety.

In the case of fire protection and the burglary protection departments, we are also interested in the performance of the apparatus, where it must meet certain performance requirements.

Q. When was Underwriters' Laboratories established?

A. I don't have the exact date. It was prior to 1900.

• • • • • • •

[fol. 4734] Q. I think, Mr. Saunders, that you have answered this question, in the main, but could you very generally and briefly tell us again, if you have already

told us, what Underwriters' Laboratories actually does in connection with the protective signalling systems?

A. First, we investigate and evaluate the equipment according to certain performance standards that we have. This is a laboratory test. It involves environmental testing, repeated operation, numerous engineering tests.

This equipment available for use by companies which are listed by Underwriters' Laboratories as provided certificate service. The certificate service involves the evaluation of the company as to its qualifications for installing and maintaining electric protection services, in accordance with our installation standards, and the continual follow-up re-examination of their services on an annual basis.

• • • • • • •

[fol. 4735] Q. Mr. Saunders, would you identify for the record, Government's Exhibit No. 12?

A. This is our latest standard for holdup alarm systems, UL-636, 4th Edition, February 1958.

Q. Mr. Saunders, does Underwriters' Laboratories have any policy or requirement relating to the ownership of the certificated alarm systems which have been installed on the subscriber's premises by an approved central station protection company?

Page 38

A. There is in our standard UL-611 a general definition statement which describes a central station system.

Q. Sir, will you refer to that by page and exhibit number?

A. I am reading from Exhibit No. 9, page 6, paragraph 8.

Q. What does that requirement state, sir?

A. This paragraph reads, in part:

"Central station systems are independently owned, controlled, and operated by a person, firm, or corporation engaged in furnishing such supervised protective signalling service and having no interest in the protected property."

Q. Now, as described in that paragraph, sir, does that [fol. 4736] refer to the actual physical central station,

or does it also include the alarm system which has been installed on the various subscribers' premises?

A. This is a statement which, to the best of my knowledge, we have never been called upon to clearly define. Reading through the standard, it is in lower case type, and one of the first things that we say in the standards is that "Requirements

Page 39

are shown in bold-faced type and, when necessary, are supplemented by explanatory notes, descriptions of test apparatus and methods, etc., in light-faced type."

Q. Is paragraph 8 of Exhibit No. 9 in bold-face or small print?

A. It is in light-face type.

Q. So based on that explanation, is that a requirement by the Underwriters' Laboratories?

A. It is an item that we have never been called upon to rule upon.

Q. Sir, what is Underwriters' Laboratories interested in in connection with the burglar protection service?

A. We are interested in the complete integrity of the protection service provided.

Q. You are interested in the service as provided by the system, is that what you are interested in, the standards of service?

A. That is right.

Q. Well, what interest, whatsoever, would Underwriters' Laboratories have in requiring a protection company to retain the title to equipment which has been installed in the various business places throughout the United States?

A. To the best of my knowledge, the central station industry has

[fols. 4737-4739] Page 40

retained ownership as a means of controlling the integrity of the complete system. This then insures compatibility of the apparatus at the subscribers premises, as well as at the central station.

Q. So are you telling us now that this has been done by the approved central station protection companies on their own, or as a requirement by Underwriters Laboratories?

A. I would say it is a means by which the central station companies have accomplished the control necessary to conform to the requirements of the laboratories.

Q. Now, are you telling us now that it is a requirement that the protection company retains the title?

A. I don't see anything in our standards which specifically says that the protection company must retain the title.

* * * * * * *

[fol. 4740] Q. Do you know whether or not today, Mr. Saunders, on any of the certificated, protection central station alarm systems, whether or not the subscriber actually holds title and owns those alarm systems?

A. I do not know.

Q. In checking to see that your standards are being followed, if we can assume that that is the requirement of Underwriters' Laboratories, you have never checked for that?

A. We have not.

* * * * * * *

[fol. 4741] Q. Mr. Saunders, would you state in just as detailed a manner as possible what interest Underwriters' Laboratories has in the burglary protection field, what [fol. 4742] you are trying to accomplish by your work?

A. Underwriters' Laboratories is attempting by means of our equipment standards to insure that listed equipment is reliable; that it will perform the services that it has been designed to perform. By means of our certificate service we attempt to insure that the equipment which is listed is used in a manner which will provide various degrees of security.

Q. You are interested primarily in the end results, which is security or protection service, is that right?

A. That is correct.

Q. Would you tell me what interest whatsoever that Underwiters' Laboratories would have in who owns the protection systems which are installed in the subscribers' premises?

Page 56

Mr. Williams: I am going to object to the form of the question, because you are using some language out of Standards 611, and you may not be using it in the sense you really mean.

By Mr. Story:

Q. You may answer, sir.

The Witness: Will you repeat that for me, please?

(The question was read.)

A. Being interested only in the end result, it would seem to me that we could be approached by someone who asked us to consider that the intent of the standards has been met in other ways than by ownership of the equipment. We have never been called upon to do it. In every [fol. 4743] case, in every listed central station operation, to the best of my knowledge, the central station company has retained complete ownership of the apparatus, both at the subscriber's premises and at the central station, as a means of exercising the control.

Q. Is that done at their instance, the approved central station company's instance, or Underwriters' Laboratories' instance?

Page 57

A. It has never been done at Underwriters' Laboratories' instance, because we have never been called upon to demand that. This is the way the industry operated.

Q. Someone in Underwriters' Laboratories, Mr. Saunders, wrote that standard which is in Government's Exhibit 9. Somebody in Underwriters' Laboratories must know whether or not that is a requirement or not. Will you tell us now whether or not that is a requirement based on your position as managing protection engineer?

Mr. Hickey: I think the witness has already testified several times that that is the statement of a situation that prevails in terms of the operation and maintenance and installation of the central burglar alarm systems, and in terms of passing on the question of title or ownership,

that is a matter that hasn't come up with Underwriters in its experience, because it has accepted the condition that existed in the original operation and installation and maintenance. They have not inquired, as this witness has already indicated, into title with respect to the ownership of installation at the premises that are being protected. [fol. 4744] I think that is all this witness is testifying to and is prepared to testify to at this time.

Page 58

By Mr. Story:

Q. Let me ask you this, Mr. Saunders: In the event that you went out to inspect a newly installed burglar alarm system in the Marshall Field Store here on State Street, and you found in connection with your investigation that Marshall Field owned or held title to that protection system, would you deny the approval of the installation of that alarm system?

Mr. Williams: I will object to the form of the question as being hypothetical and calling for information not supported by facts in the record.

Mr. Hickey: I would think speaking as counsel for Underwriters' Laboratories, that that kind of question would call for a knowledge and information not within the province of this witness. But he can answer whatever he can on that hypothetical state of facts. They have never faced that situation.

By Mr. Story:

Q. In all of your inspections during a period of seventeen years, have you ever made inquiry as to who owned the protection system installed on the subscriber's premises?

Page 59

A. No.

Q. You are not interested in that?

Mr. Williams: I will object to the form of that question.

Mr. Story: That is a good question. You may answer. [fols. 4745-4749] Mr. Williams: It is a statement by you. If you want to phrase it as a question, you may do so.

The Witness: It is a part of the over-all consideration which was made when the listing was established. It is not something that we inquire into in the course of our regular inspections of the premises, no.

By Mr. Story:

Q. So, so far as you know, 99 per cent of these systems could be owned today in the United States by the users or the subscribers themselves.

Mr. Williams: I will object to the form of that question.

A. Yes.

* * * * * * *

[fol. 4750] Q. With respect to the extents 2 and 3, what is the comparison between central station and local as to the type of equipment that is installed on the subscribers premises?

A. A central station system must have contact devices which will initiate a very distinctive signal. Other than that all of the protective devices which are installed could be considered as identical for both central station and local.

Q. And devices being identical, is the extent of installation identical for each type?

A. Yes, it is.

[fol. 4751] Q. Essentially is the only difference that the central station system must be so constructed so as to be able to transmit either a coded or non-coded signal to a central station? Talking now about the equipment that is on the subscriber's

Page 84

premises.

Mr. Story: Excuse me just a moment. Will you read that question, please?

(The question was read.)

By Mr. Williams:

Q. Is the question clear, Mr. Saunders? Perhaps I can rephrase it if not.

A. We may not be speaking of the same thing in speaking of the coded and non-coded.

Q. Let me try to rephrase the question then.

A. All right.

Q. Consider two premises that are absolutely identical and say there is an installation on each one, one a local and one a central station. Would the protective devices that each premises be the same and the amount of them?

A. Yes.

* * * * * * *

[fol. 4752] Q. From a mechanical and electrical point of view, is all central station equipment that is manufactured in the United States compatible? I mean by that, is the manufacture of different firms compatible with each other in end use?

[fols. 4753-4754] Page 98

A. Much of it is not compatible. It is a difficult question to answer. Some equipment is compatible. Some companies are purchasing equipment from the same source and, therefore, naturally the equipment would be completely interchangeable.

Q. Would it be fair to say that equipment from different manufacturers is generally not compatible?

A. I don't think it would be fair to say that, no.

Q. Is there some equipment that is not compatible?

A. Oh, yes.

Q. And by that, so we understand each other, by compatible, I mean capable of being used without additional modification.

A. Yes.

Q. On an existing circuit.

A. Right.

Q. And, again speaking of compatibility between the equipment located in the central office and that located at the subscriber premises.

A. Right.

* * * * * * *

[fol. 4755] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 355

IN THE UNITED DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of GEORGE A. SMITH, Smith Detective Agency & Nightwatch Service, 610 North Akard Street, Dallas 1, Texas.

Q. Mr. Smith will you state your full name and home address, please?
A. George A. Smith, Jr., 10455 Strait Lane, Dallas, 29.
Q. What is your occupation, sir?
A. Electrical engineer.
Q. What is your present employment?
A. The Smith Detective Agency & Nightwatch Service, Inc.
Q. And what is your position with that company?
A. President.

Page 4

Q. What is the address of your company?
A. 610 N. Akard, Dallas 1, Texas.
[fols. 4756-4757] Q. Mr. Smith, what is the nature of this business which is conducted by the Smith Detective Agency & Nightwatch Service?
A. It is central station fire alarm, burglar alarm and protective signaling service.
Q. How long has the Smith Detective Agency & Nightwatch Service been in business?

A. 1904.

Q. What type of business was the company engaged in when it was organized or established in 1904?

A. Well, it was organized by my father as a detective agency, which primary function was to furnish guards, watchmen, patrolmen and detectives in various businesses and commercial establishments here in Dallas.

Q. Now, after your father had established the company, did there come a time when your father entered into any kind of an electrical protective service?

A. In about 1920—well, say, 1918—I am not sure of the dates in there, he established a watchman reporting system and electrical system designed to record the rounds of watchmen and patrolmen at a central control point as they proceeded on their routine round of properties.

Q. Now, did your company at a later time engage in

Page 5

other types of protective service?

A. Yes, in 19—well, I am not sure of these dates, but in this general area, 1926, they started in by—they started by installing central station burglar alarms.

* * * * * * *

[fol. 4758] Q. Mr. Smith, are you connected with any other companies here in Dallas that are engaged in the electrical protection business?

A. Well, now, you mean separate corporations?

Q. Yes.

A. We have the Central Station Alarm Company here in Dallas.

Q. And what is the nature of the business conducted by that company?

A. Well, that firm is designed primarily to handle military installations. It was organized in 1943 due to the large amount of military work that we were engaged in and because of the renegotiation of the various contracts we were signing and the way the government wanted the work handled, it was decided to organize a separate organization to

Page 7

conduct this class of business.

Q. Now, sir, do any of the companies with which you are associated furnish Watchmen, guard or patrol service in this area?

A. Yes, in the company. These are closely held family organizations, the Smith Nightwatch Service, Inc.

Q. And where is that type of service furnished, generally, sir?

A. It is furnished in banks and large commercial establishments like Braniff Airways, Neuhoff Packing Company and Republic National Bank and firms of that caliber.

Q. In what locality do you render this type of service?

A. By locality you mean——

[fol. 4759] Q. The general area?

A. It is confined to the Dallas County area and the Fort Worth area, too.

Q. Mr. Smith, are you connected with any other company that furnishes electrical protection service within the area?

A. In this area here?

Q. In any area.

A. We operate a company in Shreveport, Louisiana.

Q. What is the name of that company?

A. Central Station Alarm Company of Shreveport.

Page 8

Q. And when was that company established?

A. That was established in February of 1961.

Q. What is the nature of the protection service furnished by this company over in Shreveport, Louisiana?

A. Well, that is a standard central station operating company that furnishes the various central station services and in addition, watchmen and guards which are handled by the same overhead, or the same office personnel as operates the alarm service.

Q. Now, Mr. Smith, are you connected with any other company which is engaged in the electrical protection service business?

A. Yes, the Central Alarm System De Mexico, S.A.

Q. For how how long have you been connected with that business?

A. We established that in 1947.

[fol. 4760] Q. Now, Mr. Smith, for the moment let's discuss your central station protection operation here in

Dallas. In what general area do you furnish central station protection services here in the Dallas area?

A. Well, we cover all of the Dallas County area, and we also service the Fort Worth area out of our Dallas office.

Q. Would you briefly describe your central station operation in Fort Worth and how that—those signals are relayed to the central station here in Dallas?

Page 9

A. Well, in Fort Worth, we have an office in the Electric Building where we terminate all of the signals on a panel and then they are repeated over what we term a carrier system of the telephone company to our central station here in Dallas. In addition, we have for the dispatching of guards or service personnel a radio system which goes over a transmitter in Fort Worth we operate from a remote transmitter here in Dallas and then we have a very powerful transmitter on the Mercantile Bank that we can work direct into Fort Worth so that when the alarms come from various properties in Fort Worth, they are transmitted by wire lines to our central station here in Dallas, but the dispatching of our guards and personnel responding on the alarm is done by radio, radio transmitted from a radio system here in Dallas are received through one in Fort Worth.

Q. Mr. Smith, how long has your company been furnishing this type of central station protection service in Fort Worth?

A. About three years.

* * * * * * *

[fol. 4761] Q. Now, sir, would you tell us the various types of central station protection service rendered by the Smith Detective Agency & Nightwatch Service?

A. We have the standard central station burglar alarm service. We have holdup alarms; we have central station supervisory and alarm service; we have automatic fire alarm service; we have smoke detection service; we have central station watchman reporting in manual fire alarm service, and we have industrial process supervisory service—central station industrial process supervisory service.

* * * * * * *

[fol. 4762] Q. Mr. Smith, what are your principal sources [fol. 4763] of supply for the protective devices you use in the central station operation?

A. You mean companies?

Q. Yes.

A. Potter Electrical Signal Manufacturer of St. Louis, the Central Station Signaling of New York, Walter Kidde Company, Mosler Research Products, and Ademco Products, Acme Fire Alarm.

Q. Are those your principal sources of supply?

A. That is right.

* * * * * * *

Q. Mr. Smith, what is the duration of your central station protection contracts?

A. Well, fire alarm and burglar alarm, or which one?

Q. Start with burglar alarm.

A. Normally, our burglar alarm, it is about three years, but we can make one for five and some for one, but as a matter of course we try to get three years.

Q. Tell us what percentage of your central station burglar alarm accounts, are for three years?

A. About eighty per cent.

[fol. 4764] Q. Now, what about your central station fire alarm subscribers?

A. We usually try to get around five on that, five years. Three to five.

Q. Could you tell us what percentage of the central station fire alarm contracts are for five year periods?

A. It is around ninety per cent.

* * * * * * *

Q. Does your company retain title to the alarm systems which you install?

A. On the subscriber systems, we do.

Q. That is in both fire and burglary?

A. That is right.

Q. Now, when one of your central station protection contracts terminates, do you remove the eqiupment from the

subscribers premises?

A. If the service has been discontinued, yes.

Q. What do you remove from the premises?

A. Normally, we remove our control equipment and if it is a burglar alarm we remove the foil and items that we consider of salvageable value to us.

• • • • • • •

[fol. 4765] Q. Mr. Smith, to what distance from your central station can you consider effective continuous central station fire and burglar alarm service?

A. Well, from our central station without a satellite central station, or a remote guard location we would consider about twenty or twenty-two miles. Considering our Fort Worth station, that is what is classified by most people as a satellite central station. The only difference is it does not have personnel and a board, personnel that would normally be there, are in Dallas, but the response on the alarm is the same as if a panel were in that central office.

• • • • • • •

[fol. 4766] Q. Does the City of Dallas allow central—strike that—alarm systems to be connected to the Fire and Police Department?

[fol. 4767] A. Not normally. They have one installation, the Republic National Bank across the street was allowed to connect it and it created quite a disturbance and a number of old accounts have direct connections into the fire alarm headquarters, but the City passed an ordinance about six years ago making a charge for this service, which now discourages these connections.

Q. Do you have any idea how many alarms go into the Police Department here in the City of Dallas?

A. Just one.

Q. Do you have any idea how many fire alarms are connected to the Fire Department?

A. About five.

Q. What is the situation over in Fort Worth concerning direct connections?

A. Fort Worth, as far as I understand it, they don't allow any connections, either Police or Fire, from sprinkler alarms, or from burglar alarms into these two city alarm

offices. They are much more severe than over here in Dallas.

* * * * * * *

[fol. 4768] Q. Mr. Smith, could you give us the approximate salvageable value of your central station burglar alarm systems when your company removes these alarm systems from the subscribers premises in relation to what it cost that subscriber when you install the protection system?

A. Where no electronic devices are involved, or

Page 51

mechanical devices such as a sound system. I am talking about, now, foil, contacts and screens, I would say in the area around ten to fifteen per cent, maybe a little less. Say ten per cent.

Q. What would be the salvageable value of your electronic burglar alarm system?

A. It would go up to around twenty-five to thirty per cent.

Q. What would be your approximate salvageable value of your automatic fire alarm system when you take those systems out?

A. It would be about thirty per cent.

Q. And what would be your salvageable value of your sprinkler supervisory and water flow alarm system?

A. Let me change that fire alarm down to about twenty and about thirty-two on the sprinkler supervisory and alarm service.

[fol. 4769] Q. In other words, as I understand you, your salvageable value on the sprinkler service and water flow alarm service would be approximately what?

A. Around to about thirty—thirty-two per cent and on the automatic, about twenty, maybe lower, maybe right in that area, because I am looking at labor and all that is involved in saving the installation to charge against the salvageable value of the equipment. Those figures may be

Page 52

high.

Q. Mr. Smith, have you, or any of the members of your

company ever attempted to bid for the central station protection service for any account here in Dallas where you were told that the company would not accept a bid from your company?

A. Yes.

Q. How often has that happened, sir?

A. Well, it is kindly hard to say how often. It happens a number of times a year.

Q. Can you give me the names of some of those companies?

A. For example, General Electric—not General Electric—General Motors Corporation, Ford, General Foods, American Cyanamid, R.C.A., Upjohn's, Parke Davis and Bond Stores.

Q. Let me ask you this. Were you told why your company could not submit a bid in connection with these accounts?

[fol. 4770] A. Normally, their answer was they had a nationwide contract with A.D.T., and they couldn't do business with us, because it would affect their contract with A.D.T.

Page 54

Q. Mr. Smith, in say, the last five years, has your company installed central station protection service in any establishment which were formerly serviced by local alarm service?

A. Yes.

Q. Approximately how many local alarm accounts changed to central station protection accounts, say, within the last year?

A. In Dallas and Fort Worth together?

Q. Let's do them separate. Dallas?

A. Well, Dallas had, say, about ten, maybe twenty, in that area. I am not sure.

Q. And how do you know that those subscribers formerly had local alarm service?

Page 55

A. Because, normally, they had our service.

Q. Now, what would you say during the last five years?

A. Well, wait a minute, now. I think I am getting off a little bit, after I see what you are driving at. The ones I

am talking about are alarms we had—we have taken over a number of local alarms installed by Greenville Avenue and Dallas Burglar Alarm and converted to central station.

[fol. 4771] Q. Tell me about how many you had last year?

A. I would say fifteen or twenty of our own where we had local alarms, because of the increase in merchandise, burglaries that were pulled, or some unusual circumstance that they would want to improve the protection, and we would convert the protection from a local to a central office service.

Q. Now sir, what about Fort Worth?

A. Fort Worth, we have about five or our own, and about eight, I guess, of other firms. E. O. Smith has an alarm company over there and one other small company, I have even forgotten the name of it. I don't know if they are in business now. They had a number of alarms, then, they were not maintaining, and we took those over and converted them.

Q. From a local alarm to a central station?

A. Yes.

Page 56

Q. What period of time?

A. 1961.

Q. Has that period that you have just given us been fairly constant during the last five years?

A. Generally, it has been more so lately, I think, because of the large number of burglaries. In the last three or four years, it has increased a little more.

Q. Now, sir, how many of your central station protection accounts——

[fol. 4772] (Recess.)

Mr. Story: Please read the last question.

The Reporter: "Question: Now, sir, how many of your central station protection accounts——"

By Mr. Story:

Q. —have discontinued that service and asked your company to install a local burglar alarm, or local alarm system?

A. That was the part we were trying to clear up, whether our accounts, or whether it was other company accounts that we put a central office in instead of a local.

Q. I think we had finished that, sir. Now, I am asking the question: How many of your central station subscribers have discontinued central station service and taken local alarm service with your company?

A. Well, I would say very few. Maybe one or two.

Q. During what period?

Page 57

A. During a year.

Q. And that would be—would that be fairly constant back during a five year period?

A. Yes, I would say that is about the way it would run.

* * * * * * *

[fol. 4773] Q. Let me ask you this, Mr. Smith. Have you ever installed any of your central station protection systems in any plants which previously have been protected by stationary guards, or watchmen?

A. Yes.

Q. Have you converted any of your own watchmen accounts to central station protection service?

A. Yes, we have.

Q. Can you recall any recent instances that you have converted one of your former watchman subscribers to a central station subscriber?

A. This is where we maintained a watchman on the premises, not patrol service?

Q. That is right. A stationary watchman.

A. Yes, Coca Cola is one, their syrup plant here. Haggar Pant Company is another that we had. Burrus Mills, a feed mill and grain elevator down here is another.

[fol. 4774] Q. Let me ask you this, sir: You mentioned the Haggar Pant company. You say that was formerly protected by your watchman service?

Page 67

A. That is right.

Q. And you have now replaced that system with your central station protection?

A. That is right.

Q. What type of central station alarm system did you put in this place?

A. We put in the standard approved central station sprinkler supervisory and alarm service and central station burglar alarm service and then we installed a two processing, individual processing devices known as a sump pump control and the other one was a steam boiler that they reduced the pressure on it at night and want to have it ready to fire up the next morning, and we installed a pressure hose back on this boiler.

Q. When did this conversion take place?

A. At Haggar I imagine it has been about three or four years ago.

Q. How many watchmen did they have on the premises at that plant?

A. Well, they had—when we finally converted it, they had one. Up until about a year before that we had two on the premises, and then that dropped to one, and then considering the cost of it against the effectiveness of it, it wasn't what they wanted, so they converted over to the alarm service.

[fol. 4775] Page 68

Q. Do you know what that company was paying for your watchman service per year for this protection at the time of this conversion?

A. No, I don't. I could roughly figure it out.

Q. Would you please? First of all, what category of watchman did you have on those premises?

A. They were paying about $1.70 an hour at that time. It is $1.75 an hour now. They were paying about $1.70 an hour for the man. One sixty-eight hours in a week, and they have normally forty-eight hours that they consider working, so that makes one hundred and twenty hours we had to furnish protection on. They were paying about right at $11,000.00 a year for watch service.

Q. Now, do you recall on that particular plant, approxi-

mately, how much you charged the man to install these various alarm systems which you have described to us?

A. This is kindly a guess, but around $4,000.00 I imagine right around in that area some place.

Q. Do you know what you are charging for annual service charges on that plant?

A. About $170.00 a month.

Q. Now, Mr. Smith, could you figure for a five year period, including your installation charge and five years of your service charge and come up with an average yearly cost of this new protective service?

[fol. 4776] Page 69

A. Spread that over for about $3,000.00 a month.

Q. $3,000.00 a month?

A. $3,000.00 a year. I meant spread in that installation over a five year period, roughly. I haven't worked it all out. You would have $3,000.00 a year over the five years.

Q. Would it be the average of the first year after you converted this system to a central station system, your installation?

A. That is right considering spreading this installation over a five year period.

Q. After the first five years of this protection service, what would your annual service charge be in the event you haven't increased it?

A. You mean take out the installation charge?

Q. Yes, sir.

A. It would be about $2,100.00.

Q. Per year?

A. Uh-huh.

Q. That is the cost of their protection service?

A. That is right.

Q. As a result of this change from a watchman protection system to a central station protection service system would your subscriber lose any insurance credit as a result of this change?

A. Normally, on a case like this it stays the same

[fol. 4777] Page 70

and maybe in some cases the way—it depends on how your rating is done. It may be a better rate for him with the central station supervisory service in there than it was

with the watchman in there without the central station supervisory service. In other words, this is a complicated method you have here in arriving at these rates. You get the building rated with the watchman in there, and then turn around and rate it with the supervisory service, and it is complicated. Sprinkler supervisory and—I am not sure about this case—you will find the central station supervisory service is given a higher recognition—not much, but a higher recognition than the watchman on the premises.

Q. Now, you mentioned what? A Coca Cola plant?

A. Coca Cola syrup plant.

Q. Did you formerly furnish watchman to that plant?

A. I did.

Q. How many watchmen did you have on these premises? At all times were you——

A. One man.

Q. Can you give us an estimate as to the savings that the Coca Cola plant might have made in relation to its change from central station from watchman?

A. It almost hits within this same general area, because the plant in a way was a little smaller, but the cost of the [fol. 4778] watchman service was in the $11,000.00 annual charge,

Page 71

and the alarm service, and I can recall from my memory was around $140.00. This is what we were charging them annually for the service, and I think the installation was in the area of $3,000.00.

Mr. Williams: You said $14.00 annually.

The Witness: I meant monthly, against a $2,000.00 to $3,000.00 installation, some place in that area there. I am not sure, but it is in this general area. And as far as the savings on the central station protection service, it would be similar, or perhaps better, because I think in the other case, we were charging $175.00 a month. They have more items there. They have this pilot. They have that sump pump, and a number of other items at the pants company that was not at the syrup warehouse.

By Mr. Story:

Q. Mr. Smith, are there certain types of plants, or businesses to your knowledge which cannot completely replace watchmen by central station protection service that is rendered by your company?

A. That cannot completely——

Q. Eliminate watchmen?

A. I don't think of any to be frank with you that we couldn't completely take the men out. The cost may be a factor, but when you say you could not take them out—in other words, this watchman gives you other things other [fol. 4779] than watching. He may be a janitor; he may be this or that.

Page 72

Q. Are there instances such as that a certain business is required to keep a man, or a guard on the premises during the times they are closed?

A. Not that I know of. It is not required under any rule or law. I am talking about the requirement coming from the nature of the business itself. No.

Q. Which requirement?

A. A man on duty at all times when the premises are closed.

Q. I am not restricting it completely to protection, but any other types of——

A. The only thing I can think of right offhand, would be a boiler room, and that would be an engineer instead of a watchman, but when you say watchman to protect against fire and theft and confine it to that area, then I don't know of any situation where you couldn't replace the man with electrical devices.

Q. Let me ask you this, sir: Do you have any of your guards in premises which have partial crews working at night?

A. Oh, yes.

Q. Could that man, whether you call him a watchman, guard, or engineer, be completely replaced by your central station protection service?

A. Let me see if I am getting the point here. We have [fol. 4780] these men in and people are working, because they want

Page 73

the people to work at a particular time. We could change the working hours of the man, or the people in a premises, and, of course, eliminate the man. Now, if they want the man there because they elect to have the clean up crew, we will say, are working, or the repair crew, or the display crew working all night, and they want the watchman there to supervise the many people coming and going in the building, then, it would be difficult to replace the watchman to do this personal surveillance by an electrical system, but if you decided you wanted to protect the building against fire and theft and take those people out and have them do their duties at certain times. Am I getting the point you are after?

Q. In other words, you couldn't have a complete premises burglar alarm that would be effective if you had repairmen, or other personnel of necessity, because of the business would have to work at night during the closed period?

A. If you had ultrasonic, or any other type of equipment people working there would be constantly tripping them and rendering them inoperative.

Page 74

. . . . . .

[fol. 4781] Q. Mr. Smith, from the standpoint of protection of property against hazards such as fire or burglary, could you give us a comparison between local alarm service and central station protection service, the advantages, or disadvantages of either of those systems?

Page 105

A. Well, the insurance companies who pay out money on these systems for them to say that they are installing for a company protection bringing enough from the standpoint of the devices or equipment to prevent entry in there, thirty percent is the highest commission they will allow for local alarm, while for a central office alarm they will allow seventy per cent reduction for a building equipped to comply with this thirty per cent when this building is connected into our central station. On top of that, the maximum they will allow for a guard who is armed,

whether this is an armed guard in a building at [fol. 4782] all times is forty per cent. With four guards in there, they will allow fifty per cent, and that is all. That is all the discount they will allow for guards in the building. On an alarm system connected with the outside central station they will allow seventy per cent reduction.

Q. In insurance premiums?

A. This is looking at it strictly from the insurance point of view, who pay out money for this system, giving you their premium dollars. They are in the gambling business. They give up this money to get this protection. The normal local alarm, which does not have protection on the ceilings and the walls, and the floors, but only protect the openings, that is windows and your doors, twenty per cent is the reduction you receive for that service, while this same

Page 106

protection on a central office will give you fifty per cent reduction. Now, then, when you put in ultrasonic or radar eyes, or foil it normally would go from thirty per cent on this local system up to seventy per cent on this central office alarm.

* * * * * * *

[fol. 4783] Q. In the past six years, sir, has your company experienced any difficulty in obtaining alarm devices and equipment?

A. No.

* * * * * * *

[fol. 4784] Q. You mean on the subscriber's premises?

A. On the subscriber's premises and the amount of service that we feel is going to be required from the standpoint of the number of calls and type of business. Also, the distance from our central station would go into a make up on that rate.

Q. You mentioned that one of the things you consider is the number of units that are on a subscriber's line. What do you call a unit?

A. That would be an opening, a contact on a door, an

ultrasonic system, photoelectric sales system, or the number of devices that are connected in the system.

Q. Would an ultrasonic unit have the same unit contacts as the signal unit?

A. That is all in the signal unit there.

Q. And that also would be true of the photoelectric system?

A. Yes.

Page 131

Q. Of other intrusion type systems?

A. Yes.

Q. Does your company do capacity fence protection?

A. We do in the central station for the military, but not anything commercial.

Q. Do you have any outdoor photoelectric setups?

A. Yes.

Q. Again, without telling me specific figures, do you have a value that you put on a unit of protection?

A. Well, are you talking about the cost of installing it?

[fol. 4785] Q. No, on an annual service charge.

A. On an annual service charge?

Q. Yes.

A. Oh, roughly in the area of about fifty cents per month.

Q. Per unit?

A. Per unit.

Q. On top of that, the wire charge?

A. Wire charge.

Q. And the other factor that you mentioned earlier?

A. Yes.

Q. Am I correct in recalling your testimony about your prices for central station service have remained relatively constant over the past five or six year period?

Page 132

A. That is right.

Q. Has your business undergone—your central station business—undergone any downward trend during the last six years?

A. Our direct wire has gone down.

Q. Direct wire burglar alarms?

A. Yes.

Q. Is there a pattern also for that, sir?

A. Most of these firms are moving out from the downtown area, going further out, and the concentration of the downtown area is not what it used to be.

[fol. 4786] Q. Have you had any difficulty in obtaining the necessary metallic circuits from the supplying company?

A. In certain areas, a new area we have to clean up later on. To start off it is short.

Q. Has that difficulty been due to shortage of facilities?

A. That is right.

Q. Do you know, sir, how many other companies besides you furnish electrical service to any client in the Dallas area?

A. Well, of course, there is A. D. T. Now, the amount of protection, there are two other companies, the Greenville Avenue and Dallas Burglar Alarm. The Dallas Burglar Alarm, as I understand it, concerns itself only with local alarm. Greenville Avenue concerns

Page 133

itself with local and some form of central office service. I know it is not approved.

Q. Do your salesmen meet those firms in competition?

A. Yes.

Q. Do you know if your company has lost protection systems to either of those companies?

A. Oh, yes, we have lost to them.

Q. Have any of your prospective central station subscribers taken local service from any of these companies, if you know?

A. Take me back over that again.

Q. Have any of your prospective central station subscribers taken local service from any of these other companies?

A. I don't know.

[fol. 4787] Q. Do you know whether any of your prospective central station subscribers have taken local service from A. D. T.?

A. No.

Q. Have any of your prospective central station subscribers signed up for local service which you mentioned? By that, I mean people who originally were interested in central station service but took local instead?

Mr. Nesbitt: Wait just a minute, Mr. Williams. We thought we agreed on the limitation where they had changed, and Mr. Story went into that, changed either up or down. You are going into

Page 134

prospects. I thought we agreed to limit this to a business owner with an installation of one type and went either up or down.

Mr. Williams: Would you have any real objection to Mr. Smith answering that?

Mr. Nesbitt: I don't know whether he knows.

Mr. Williams: If he knows.

By Mr. Williams:

Q. Let me rephrase the question once again. Do you know, have any of your prospective central station subscribers taken local service with your company instead of central station?

A. That is kindly a hard one to—I don't quite—of course, we have sold a lot of locals. We don't know whether they were prospects or not. In order to explain more in detail, a man will call you in and ask your local central office to give him three or four different prospects. We [fol. 4788] don't know what he is a prospect for, but to get a local prospect in there and change it to central station and get a central station prospect and change him to a local prospect, not that I know of. We have given different proposals on all three services going in, and they make a selection.

Page 136

Q. Do you know how long the Greenville Avenue Patrol has been in business?

A. Well, it seems like to me they have been in—about 1946.

Q. If you know? Do you know how long they have had what they call their central station?

A. They have had that in from three to four years—four years, I will say.

Page 137

Q. Are you familiar with the charges that A. D. T. ask for central station service in Dallas?

A. When you say familiar, I don't quite follow. Do I know they are charging—no, I don't know what they are charging, to be frank with you, other than what I am told.

Q. Do you know whether your prices are generally higher or lower than A. D. T.?

A. Generally, on the first go around, we are a little low. It is the next go around when we lose out.

Q. Do you have any firsthand knowledge of specific instances where A. D. T. has allegedly gone below your company's bid?

[fol. 4789] A. Oh, yes.

Q. What would that be?

A. Of course, Proctor & Gamble is one which we cleared a minute ago. United States Tire Company is another one.

Q. And what was your source of knowledge on those?

A. The people—the owner of the property told us.

Q. That A. D. T. was below your bid?

A. Yes, considerably below our bid and in a number of cases we have been shown A. D. T. figures and asked to meet them.

Q. In which instances did that happen, sir?

A. I am trying to think. Arthur A. Everts Jewelry Store was one.

Page 138

Q. When did that hapuen, sir?

A. About two years ago.

Q. And did the subscriber show you the A. D. T. bid on that?

A. Yes.

Q. Do you remember what it was?

A. I don't remember what it was. I know we reduced our figures down to it.

Q. Who bid first on that job?

A. I don't know whether we did, or they did.

Q. Do you have any other specific instance in mind, sir?

A. I am thinking of some other instance where I did, [fol. 4790] and I was trying to think what they were. We

had—let's see. A couple of jewelry stores that I have in there, but I am trying to think of the names of them. Well, my mind is cloudy on the exact ones.

Page 142

Q. Has any company in the electrical protection field attempted to restrain your company's operations in any way?

A. Now, when you say restrain, I don't—that I can't see what you are driving at.

Q. Well, anybody trying to put you out of business?

A. I don't know whether you try, when you reduce your price, that is, the price you have to meet competition, which that can put you out of business, but I can't quite get the message, sir. You are going to have to pin me down, I guess, before I can answer that question.

Q. Who has more alarm subscribers in the City of Dallas, you or A.D.T.?

A. I think we do. I am not sure.

Q. Do you know approximately how many subscribers A.D.T. has?

A. No, I don't.

Q. Do you know how long A.D.T. has operated in the City of Dallas?

A. Of course, they operated as Western Union until the war, 1918, and then as you know, they organized their A.D.T. Company, then. As far as I know, that is the start of A.D.T. as an entity operating

Page 143

from Western Union.

[fol. 4791] Q. At the time, do you recall, were they furnishing central station service?

A. Yes.

Q. And your company began to furnish central station service after that date?

A. Well, we furnished them first, central service stations before A.D.T. and also the watchman supervisory service, we both started in them about the same time.

Q. When were these approved?

A. Seems to me in the area of 1914 and '15, before that time.

Q. How long was your company furnishing central sta-

tion protection alarm service before it got Underwriters approval?

A. I think I would say in the '20's—'23 or '24, or '25, somewhere in that area.

Mr. Nesbitt: We got the approval in——

The Witness: '34, it seems like.

By Mr. Williams:

Q. Do you know whether any persons have tried to enter or open up a central station in Dallas in the last ten years?

A. To my knowledge, no, except for this Greenville Avenue, if you classify that as a central office.

Q. Have you ever spoken to Mr. Story before today?

Page 144

Mr. Story: I object to that question and if you proceed in any further conversation along that line, I am prepared to move this deposition be suspended.

[fol. 4792] Mr. Williams: You had better suspend it, then.

Mr. Story: I will read that into the record. Mr. Smith, in the meantime I will ask that you not answer that question until after Judge Sweeney has moved on that matter.

Mr. Williams: I am prepared to ask some more——

Mr. Story: As far as I am concerned when I finish this motion that I have here this deposition is suspended.

Mr. Williams: Let me finish my questions and then read your motion.

Mr. Story: I am not going to let you do that. I have a right to make my motion at this point.

Mr. Williams: I have some questions to ask Mr. Smith. I intend to ask them. You will make your motion.

Mr. Story: I don't intend to have you do that, because your associate gave me assurances you wouldn't approach that question any more.

Mr. Williams: I don't know anything about it. Before we go ahead, if you don't mind, I have an opinion in this case written by the judge in charge.

Mr. Story: You can do it after I make my motion here. I insist

Page 145

at this point I have a right to read that motion in here and whatever else you do in this record I have no——

Mr. Williams: Mr. Story, I am asking you to allow me to read this opinion before you make your motion.

[fol. 4793] Mr. Story: I am going to read my motion at this time, which is timely. If you refuse, this deposition is terminated, and I will say I am making my motion to suspend this deposition under Rule 30-B whereby the government does not participate any further in this deposition.

Mr. Williams: All right. I am reading from an opinion by the Honorable George C. Sweeney, Chief Judge, United States District Court, District of Massachusetts, dated January 23, 1962. These objections are sustained except as to those persons whom the government will use at witnesses——

Mr. Story: Thank you, gentlemen.

(At this point Mr. Story left the room.)

Mr. Williams: "in this proceeding if the information sought would lead directly or indirectly to the identity of the informer. . . . As to those whom the government will call as witnesses, the objections are over-ruled, and the motion for further answers is allowed."

(Discussion off of the record.)

Page 146

Mr. Nesbitt: The witness' attorney would be willing to continue the deposition if the attorney for the Justice Department had not terminated it and departed. Such continuation would be with the right reserved to object to the question on the basis of the answer called for previously communicated.

[fol. 4794] Mr. Williams: Counsel for American District Telegraph Company, Holmes Electric Protective Company and Automatic Fire Alarm Company of Delaware is willing and prepared to continue the deposition were it not for the departure of the government's counsel.

• • • • • • •

[fols. 4794-4795] Q. And what was the outline of that competitive situation and what were those peculiar conditions?

A. Well, the peculiar conditions that we told him about was that we felt that A.D.T. was taking advantage of our situation here in Dallas by reducing the price way below their standard charges, that we under-

Page 15

stood them to have increased the charges in towns that were not in competition, where we had a number of customers that came to us and gave us the business over A.D.T. because they told us that A.D.T. was taking advantage of them in noncompetitive towns.

* * * * * * *

[fol. 4796] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 356

IN THE UNITED STATES DISTRICT COURT FOR THE

DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of MAURICE G. SONDOCK, McCane-Sondock Detective Agency, 1612 Austin Street, Houston, Texas.

Page 3

Q. Mr. Sondock, will you please state your full name?
A. Maurice Gerson Sondock, G-e-r-s-o-n S-o-n-d-o-c-k.
Q. What is your home address, sir?
A. 8426 Lorrie Drive, L-o-r-r-i-e.
Q. That is Houston, Texas?

A. Houston, Texas.
Q. What is your occupation, sir?
A. I operate the McCane-Sondock Detective Agency.
Q. What is that address?
A. 1612 Austin, Houston, Texas.

Page 4

[fol. 4797] Q. What is your position, sir, with the McCane-Sondock Detective Agency?
A. Part owner and general manager.
Q. What type of a business of company is the McCane-Sondock Detective Agency?
A. We deal primarily in electric detection services, but also we have a few watchmen.

* * * * * * *

Q. When did this company commence operations, sir?
A. As far as I know 1891. The exact date I couldn't tell you.

* * * * * * *

[fol. 4798] Q. When did this company commence its electric protective type of service?
A. About 1945.
Q. And, sir, what was the nature of this company's business prior to that time?
A. We were in detective agency night-watch service and patrol.
Q. When you started in the electric protection business with this company what type of electric protection service were you furnishing?
A. Local burglar alarms.
Q. When did your company first start its central station protection operation?
A. Just prior to April, 1948, a month or two maybe; but because we were approved by the Underwriters I [fol. 4799] think in April of 1948.

* * * * * * *

[fol. 4800] Q. Mr. Sondock, does your company, the Mc-[fol. 4801] Cane-Sondock Detective Agency, furnish watchmen or guard service here in the Houston area?

A. Yes.

Q. Could you tell us approximately the number of watchmen or guard customers your company has?

A. This is stationary guards, I presume?

Q. Yes, sir.

A. I'd say about six.

Q. Approximately how many watchmen are employed by your company to service these customers?

A. Roughly 20.

Q. How long has your company been furnishing watchmen or guard service?

A. Since 1891.

Q. Mr. Sondock, has your watchmen business increased or decreased since the end of World War II?

A. Decreased.

Page 12

Q. Could you tell us approximately by what amount?

A. Well, considerably. It would be difficult to say. We at one time had, oh, probably 20 plants, maybe more, 40 or 50 watchmen. Since that time of course little by little it has dwindled.

Q. Now, sir, does your company also furnish protection [fol. 4802] patrol service?

A. Yes, sir.

Q. Would you tell us approximately how many protection customers your company has at the present time?

A. About 15 or 20.

Q. Can you tell us if you know any reasons why your watchmen business has decreased since World War II?

A. Well, the first thing is the higher cost of watchmen and the high cost of patrol business operating the automobiles and the cost of the watchmen themselves, and I think that the various subscribers are anxious to save money and to get the best protection there is.

With the patrol business, of course too many things can happen in between the rounds of a patrolman.

Q. Would you explain to us, sir, how your patrol service operates?

A. Well, because of the high cost of patrolman goes by these places once or twice a night, checks the doors and windows to see if they are secure, checks to see there is no fire in the vicinity, no prowlers in the vicinity.

Page 13

Q. What types of businesses utilize your patrol service?

A. Oh, residences, open automobile lots, usually places that can't use any other kind of electric protection service, [fols. 4803-4804] but they feel this is better than nothing. Most of these customers that we have are old customers that just won't let us get out of the patrol business.

Q. Is your company endeavoring to get out of patrol?

A. Oh, yes.

Q. Could you tell us approximately how many patrol service accounts you had say at the end of World War II or the late '40's?

A. I would be guessing, but I'd say 350, 400, maybe 500.

Q. How many accounts do you have at the present time?

A. About 15 or 20.

• • • • • • •

[fol. 4805] Q. Now, sir, based on what you charge subscribers to keep one guard or watchman on the premises during the closed period, could you give us an estimate of how much it costs a customer to keep one guard on the premises during the closed period?

Page 16

A. Let's see—(writing on paper.) On this basis at our old rate, which was when we got most of them, we were charging at that time $1.50 an hour. It was usually—wait a minute, that's wrong. It was about $192 a week.

Q. How much would that be on a yearly basis?

A. About $9900.

Q. $9,900?

A. Little over that.

Q. Now, on this Houston Compress Steel Company can you tell us approximately what your installation charge and your annual service charge over a five-year period would be?

A. The installation charge as I remember was about, I think, 2 or $3,000, and the services right around $2,000 a year.

Q. Sir, could you calculate for us, amortizing the installation charge over a five-year period and taking your five-year annual service charge and give us an estimate

of how much it would cost per year for your central station protection service?

A. Right around $2400 a year.

Q. In other words, as I understand you—and you cor-
[fol. 4806] rect me if I am wrong—taking into account your installation charge over

a five-year period and your annual service charge over a five-year period, and dividing it by five would get a yearly cost?

A. Right.

Q. That central station protection service is now costing this subscriber $2400 a year?

A. No, not now. Now, it's been——

Q. What was it the first five years, sir?

A. Well, right around $2,000 a year.

Q. As distinguished from I think you said $9900 a year for protection?

A. That's correct.

* * * * * * *

[fol. 4807] Q. Was this paint company formerly supplied watchmen and guards by your company?

A. No, they furnished their own.

Q. And how many watchmen did they have on the premises during the closed periods?

A. One watchman. The shift was divided between two men.

[fol. 4808] Q. And based on the price that your company was charging for watchman service at that time would that be similar to the figure you gave us for the other plant?

A. Let's see, I think that we had based on a five-year period, and I'm sure the five-year period is open, but based on a five-year period I think that we were charging about $2400 a year and amortizing the installation over five years, and I think about $800 a year. It would make about $3200 a year roughly speaking.

Q. Which it was costing them for your central station protection service during the first five-year period?

A. That's correct. We have had it over five years, I'm sure.

Q. Now, the cost of the watchmen or guard service, was that similar to the Houston Steel Compress Company?

Page 20

A. Yes.

Q. That is based on the rates that your company was charging subscribers or guards or watchmen service?

A. Based on the rates we would charge. They had to pay a minimum of $1 an hour and time and a half over forty hours, plus the various taxes and insurance and plus overtime when a man was off. So I would venture to say it would run that amount or possibly a little less, but not much.

Q. What types of alarm systems did you put on or install in the paint company's premises?

A. We had burglar alarms; we had automatic fire alarms and we had sprinkler supervisory.

Q. Now, to make sure that I am clear on what you have just told us, if your company had been furnishing the [fols. 4809-4811] watchman service just prior to the time you installed your central station protection service it would have cost the paint company—what was it, the Kuhn Company?

A. Kuhn Paint Company.

Q. —approximately $9,900 a year?

A. That's right.

Q. During the first five-year period what was it costing them for protection service?

Page 21

A. Per year?

Q. Yes.

A. Approximately 3200.

Q. After the first five years when the installation would have been paid off approximately what would it have cost?

A. Approximately $2400.

* * * * * * *

[fol. 4812] Q. Who are your major suppliers of protection devices which you use in your central station operation?

A. We buy from Potter.

Q. Where is Potter located?

A. St. Louis. We buy from Alarm Device, Ademco, and——

Q. Where are they located?

A. We buy from Walter Kidde, K-i-d-d-e in New Jersey. We buy from Morse Signal Devices.

Page 27

Q. Where is that located, sir?

A. Los Angeles. We buy from—I can't think of the name of it—Security Alarm Company in Webster, Massachusetts. They make the radar eye. We buy from Dowl in Cincinnati. That is Cincinnati Dowl Company in Cincinnati. We buy from Bright Star Company. I think they are in New Jersey. That is about all I can remember right now.

Q. Mr. Sondock, over what periods of time did your company write the central station protection contracts?

A. For one year normally.

Q. Now, is that both your fire alarm contracts and your burglar alarm contracts?

A. Yes. Of course, there are always exceptions to the normal procedure.

Q. Could you tell us approximately what percentage of your central station burglar alarm subscribers are under one year contracts?

A. The percentage? Oh, I'd say 90 percent, maybe more. 90 percent I think would be a conservative figure.

[fol. 4813] Q. What about your central station fire alarm contracts?

Page 28

A. Same thing.

* * * * * * *

Q. Mr. Sondock, does the police department of the City of Houston allow alarms to be connected to the police department?

A. I don't think so. As far as I know they don't.

Q. Now, does the fire department of the City of Houston

allow any fire alarms connected directly to the fire department?

A. As far as I know they don't. There were two direct connected in the City of Houston and I believe that American District Tele-

Page 29

graph has both of those now in the central station. Again, I'm not sure of that. This is just hearsay.

Q. So far as you know at the present time there are no alarms connected to the fire department?

A. As far as I know.

Q. Does the City of Houston allow auxiliary fire alarm systems to be connected to the municipal fire department?

A. As far as I know they don't.

Q. Mr. Sondock, in what areas does your company solicit alarm business of any kind?

A. In the Harris County area mainly.

Q. And Houston is in Harris County?

[fol. 4814] A. Yes, sir. Now, we used to go out of town and solicit, but most of that would be on request. I mean we would make the appointment to go out, but we put in a local alarm out of town providing we are requested.

Q. But you don't actively solicit any business outside of the built-up area of Houston?

A. That's right.

Q. Now, sir, from your central station are you able to conduct central station protection service throughout the City of Houston?

Page 30

A. Yes, sir.

Q. Do you have built-up areas outside of the City of Houston which is actually out of Harris County?

A. Yes, sir.

Q. Is your company able to furnish central station protection service out beyond the city limits?

A. Yes, sir.

Q. If I understand it your company is able to furnish central station protection service throughout the metropolitan Houston area?

A. Right.

Q. Would you tell us to what distance your company can furnish central station protection service?

A. Well, I think we have one alarm as far out as 18, 20 miles.

Q. Do you know whether or not there are any electric protection alarms connected to any telephone answering service here in the Greater Houston Area?

A. I'm sure there have been in the past and of course this is strictly hearsay, but to actually tell you which ones and so forth I wouldn't know.

* * * * * * *

[fol. 4815] Q. Mr. Sondock, does your company retain title to the protection systems which you installed on the premises of your subscribers?

A. Yes, sir.

Q. How long has your company been doing that?

A. Ever since we started in the business on a leasing basis.

Q. When a subscriber terminates your protection service does your company remove the alarm systems from the premises?

A. Yes, sir.

Q. What do you remove from the premises?

A. We remove everything we possibly can without injuring the property.

* * * * * * *

[fol. 4816] Q. Mr. Sondock, you have testified that on termination of the central station protection contracts that you removed the alarm systems from the subscriber's premises. Would you tell us the approximate salvage value that you could recover from these systems in relation to the amount that you charge the customer to install that system?

A. Well, you'd have to guess, of course. I'd say 5 or 10 percent simply because you have to expend labor to take this out which you haven't compensated for, and you have materials that you are going to take out that you can't ever use again. Those that you can use, the mate-

rials that you can use, you have to send to the shop and rework them.

• • • • • • •

[fol. 4817] Q. What would you say would be your salvage value of the electronic devices in burglary alarm systems?

A. I'd say 50 percent or 60 percent.

Q. What about your automatic fire alarm systems when you remove those? About what percentage would that be?

A. Again it would be mainly your equipment. You don't usually remove the tubing. I'd say 25, 30 percent.

Q. Now, what would be your estimate of your salvage value on the central supervisory with a water-flow alarm system?

A. I'd say 65, 70 percent. This is equipment that becomes obsolete

Page 43

after a period of years.

Q. Are you taking that into account when you are estimating the amount of salvage value?

A. Right.

• • • • • • •

[fol. 4817a] Q. Tell me, sir, what type of subscribers do you have to your local burglary alarm service, the general types of premises you protect?

A. Usually small businesses, small liquor stores, small drugstores, small taverns, small drygoods stores.

Q. Do you protect any jewlery stores by means of local burglary alarms?

A. Some.

Q. Do you protect any fur stores?

A. With local burglar alarms?

Q. Yes.

A. As best I can recollect, no.

Q. Do you protect any ladies ready-to-wear stores by means of local burglary alarms?

[fol. 4817b] A. I can't be certain. I'm sure we do, but I can't be certain.

Q. Do you know whether you protect any shoe stores by means of local burglary alarms?

A. Again, I'm sure that we do but I can't be certain.

Q. Other than the types of stores I have just mentioned do you also protect similar stores by means of central station service?

A. Yes.

• • • • • • •

Q. In what area, sir, do you install local burglary alarms? Is it in the Greater Houston area?

A. We have outside the Greater Houston area.

Q. But you do install them in the Greater Houston area in the city?

A. That's right.

Q. Is that the same area that you install central station service?

A. Yes.

Q. Have you ever had a situation in which you were attempting to convince a customer to buy central station service and you were told by him that he felt his insurance was sufficient protection for him?

A. Yes.

Q. Can you recall any specific instance?

A. No.

Q. Has it happened often in your experience?

A. Yes.

Q. Have you ever had the same thing happen when attempting to sell a local burglar alarm? [fols. 4817c-4818]

Page 83

A. Yes.

Q. In many instances?

A. Yes.

• • • • • • •

Q. Approximately, sir, could you estimate for us on what percentage of central office jobs you are aware that A.D.T. is in competition with you?

A. I have no way of knowing.

Q. Do you think they are in competition with you on most of the jobs on which you bid?

A. I would think so.

Q. In the instances where you are aware of A.D.T. competition, specifically who generally gets the job, you or A.D.T.?

Page 84

A. Most of the time A.D.T. does, we think.

* * * * * * *

[fol. 4819] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 357

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of SIDNEY STACKLER, Central Watch Service, 214 West Ohio Street, Chicago 10, Illinois.

Page 2

Q. Mr. Stackler, would you state your full name for the record?

A. Sidney Stackler.

Q. What is your home address, sir?

A. 700 Forest Street, Reno, Nevada.

Q. Mr. Stackler, are you connected with any company which renders electric protection service here in the Chicago area?

A. Yes, sir, I am a partner in the Central Watch Service.

Q. What is the address of that company?

[fols. 4820-4824] A. 214 West Ohio Street, Chicago 10,

* * * * * * *

Q. Sir, how long has your company, the Central Watch Service Company, been in business?

A. Since 1898 continuously.

* * * * * * *

[fol. 4825] Q. Mr. Stackler, does your company engage in the remote station protection type of service?

A. Well, I am going to have to ask you maybe to describe remote a little better for me.

Q. Remote stations sometimes referred to as direct connected service. That is, those alarms which are directly connected to a fire department or a police department.

A. Yes, we have alarms of this nature.

Q. And how long has your company been installing and servicing that type of a protection system?

A. I would say the last six or seven years.

* * * * * * *

[fol. 4826] Q. Now, sir, does your company engage in the watchman business at the present time?

A. Yes, sir, we do.

Q. Is there any other type of service, protection service, furnished by your company at the present time that we have not mentioned?

A. Yes, we render a janitor service that grows out of our watchman and our alarm service.

Q. With that addition, do you have any other forms or types of protection service which your company renders?

A. If you mean by watchman a watchman that is stationed on one property, we do that. We also have a watchman that we call a patrolman who watches more than one property in the course of this.

Page 12

Q. Mr. Stackler, after you had established your Central Station, did there come a time thereafter when you sought

and obtained any approvals from the various insurance organizations having jurisdiction over the various types [fol. 4827-4829] of protection service?

A. We were seeking the approvals almost from the inception. We wanted to be able to render a service the equal of any other in the area.

* * * * * * *

[fol. 4830] Q. Mr. Stackler, in arriving at an installation charge, could you tell us the major items that your company considers in arriving at those instllation charges?

A. Well, our major item is labor. Then follows equipment, and supplies, materials, selling expense, and a profit.

Q. Now, sir, would you tell us the major items your company considers in arriving at your maintenance charge or annual service charge for the subscribers?

A. Well, this is line charges, telephone line charges, the expense of the operators' supervision, and the maintenance of equipment, plus a profit.

Q. From whom does your company purchase its major protection devices?

A. Our major protection devices are purchased from Potter Electrical of St. Louis. We do some purchasing from Kidde.

Q. That is Walter Kidde Company?

A. Walter Kidde Company.

Q. Where are they located, sir?

A. Well, in the east, New Jersey I think.

[fol. 4831] I have a note on this, if you let me refer to it.

Q. All right, go right ahead.

A. Walter Kidde is perhaps second in line to Potter, but Potter is 90 percent of our equipment, bought from there. We buy some equipment from Fruh, sometimes known as the Ace Alarm of Chicago, and from Demco in the east, and practically all of our wire comes from Coleman Cable and Wire.

Q. Where are they located, sir?

A. We deal with them in the Chicago distribution, but they are in other parts of the country. This, I would say,

is 99½ percent of the supplies and equipment that we purchase.

* * * * * * *

[fol. 4832] Q. Does your company retain title to the protection systems installed on the subscribers' premises?

A. Yes, sir.

[fols. 4833-4836] Q. Has that always been the policy of your company?

A. Yes, sir.

Q. In the event that the protection contract is cancelled, does your company remove the protection systems from the subscriber's premises?

A. The parts that we feel are still salvageable. There is always a question of spending too much labor to get the non-salvageable parts.

* * * * * * *

[fol. 4837] Q. I see, sir. What if the system you have installed does not suit the inspecting bureau, what action does your company take?

A. We correct it because we guarantee that it would.

Q. Mr. Stackler, to what distance from your Central Station is your company able to render Central Station protective service of any kind?

A. The maximum distance?

Q. Yes.

A. I would say 15 or 16 miles from the Central Station office.

Page 26

Q. Now, to make sure that I understand you, at the present time it is your testimony that you have no subscriber to a distance farther than 15 miles?

A. That is right.

* * * * * * *

[fol. 4838] Mr. Stackler, does the City of Chicago allow burglar alarm systems to be directly connected to the City Police Department stations?

A. They do not. There may have been a half-dozen ex-

ceptions of fifty or sixty years standing, but to our knowledge, they don't permit it.

Q. Now, what about the Fire Department in the City of Chicago? Do they allow any fire alarms to be connected directed to the Fire Department?

A. Not from private industry. From public school buildings and

Page 27

from some parochial schools.

Q. But it is your testimony, then, that no commercial business or non-public business to your knowledge is connected to the Fire Department in Chicago?

A. That is right.

* * * * * * *

[fol. 4839] Q. Now, could you tell us what this company was paying your watchman company for watchman service during the year previous to the time you installed your Central Station protection system?

A. $6180.00.

Q. Is that per watchman?

A. Well, for the hours that we were protecting. They had some watchmen of their own, and we filled in, you see. For instance, they gave us 12 hours a night and used a watchman 16 hours. Four hours was on their payroll, not ours.

Q. Now, sir, what type of protection system did you install in the premises of the Central Scientific Company?

A. We installed a Central Station burglar alarm, and a complete sprinkler supervisory system.

Q. Do you know what your installation charge was for that protection system?

[fol. 4840] Page 33

A. Yes.

Q. What was that, sir?

A. $2191.00

Q.And what would be your annual service charges?

A. $1744.00.

Q. Mr. Stackler, taking your installation charge over a five-year period, and adding to that the maintenance charges

for a five-year period, could you tell us what it cost to—what the cost to that company would be per year for your Central Station protection service?

A. Well, the first five years will cost $10,911, so each year the average cost would be $2,182.00.

Q. Now, sir——

A. Does that answer your question?

Q. Yes, sir. And they had previously been paying you how much for their watchman?

A. $6180 a year.

Q. Now, sir, when installed your protection system at this plant, did you eliminate the services of the company-employed guards which were supplementing your guard services?

Page 34

A. I don't know.

Q. Do you have any other examples where your company has completely replaced or reduced the number of watchmen required to protect a premises?

[fol. 4841] A. Yes, sir.

Q. Give us the name.

A. Did I fully answer one of your questions—maybe I should not do this—but the record may show that I didn't answer your question. Did you ask me how much they would have paid for five years of watchman service on the Central Scientific Company?

Q. No, sir. I was interested on the yearly basis, which I think you have calculated.

A. Yes.

Q. All right.

A. Now, your question is another company where we did a similar thing?

Q. Preferably a job where your company furnished all of the guard service during the closed period.

A. Abart Gear is one such company.

Mr. Fritz: Spell that, please, sir.

The Witness: A b a r t G e a r.

By Mr. Story:

Q. Now, when did your company install the Central Station protec-

Page 35

tion service system in this company's plant?

A. 8-1-53.

[fols. 4842-4844] Q. How many guards or watchmen per shift were required at that plant?

A. One per shift.

Q. Did your company furnish the guards or watchmen, all of the guard watchmen service, on this plant?

A. Yes, sir.

Q. Can you tell us the entire cost to the Abart Gear Company? I am talking about the year previous to the time you installed your protection system.

A. $10,374.72.

Q. Now, could you tell us how much your installation charge on this premises was?

A. This was a case, Mr. Story, where our installation was lumped into out maintenance.

Q. How much——

A. And our charge, if you want me to finish, was $1614 a year; for a five-year period, $8,070.

Q. Where previously that company was paying your company $10,374.72 a year?

Page 36

A. That is right.

Q. Can you tell us what type of protection system you installed in these premises?

A. A complete sprinkler supervision, and what we call a minimum burglar alarm system.

* * * * * * *

[fol. 4845] Q. Forgetting holidays, Mr. Stackler, take your normal weekends during a closed period, where you would have 16 hours of protection during the week day, and 24 on your weekends, what would the cost be for each of those watchmen of the four that you mentioned that would be required to furnish this service?

A. Let's assume we would divide 128 hours of work on an equal basis. That would be 32 hours of watchman work for each of those men. Our charge, the going rate in Chicago today, an hourly charge, is $2.37 an hour per man.

Q. You say that is the going rate?

A. In Chicago.

Q. For furnishing watchmen?

[fol. 4846] A. We have to be competitive in that, too.

Q. Based on that, will you make a quick calculation so that we can determine how much it would cost for the four watchmen necessary to fill this shift?

A. Yes. This is a little over $300 a week.

Q. For what?

A. For the 128 hours of watchman work.

Page 40

Q. It would be what?

A. 128 hours of watchman work.

Q. Times 52——

A. You want an annual charge?

Q. Yes, annual charge.

A. I would say that is 52 times $300.00.

It is around $15,600. That would be a normal charge for that day.

Q. Now, in those instances where your company has installed a Central Station protection service, and either reduced or eliminated watchman protection service, have those subscribers lost any insurance credits as a result of the conversion from watchman protection to Central Station protection service?

A. No, no, sir.

Q. Do you know of any instances where they have gained insurance credits because of the Central Station protection service?

A. Yes, sir. Chicago Casket is one I know personnally gained.

Q. How would you know, sir, whether or not they gained [fols. 4847-4850] or lost insurance credits? Do you work——

A. I would know instantly if they lost. They would raise hell with me on the wire. I don't get that kind of call.

* * * * * * *

[fols. 4851-4854] By Mr. Story:

Q. Now, sir, since you have been in the Central Station burglar alarm business, how many of your Central Station burglar alarm subscribers have asked your company to discontinue Central Station protection service and asked you to install a local burglar alarm system?

A. Four or five.

Q. That is during what period, sir?

A. Fifteen years.

Q. Now, during that period of time, how many customers have you added to your Central Station burglar alarm subscriber list which previously utilized local burglar alarm service?

Page 49

A. One hundred fifty.

• • • • • • •

[fol. 4855] Q. Mr. Stackler, at any time since you have been in the Central Station protection business, have you attempted to buy any of the Central Stations owned by the American District Telegraph Company?

A. Yes, sir.

Q. When was that, sir?

A. Well, in the year 1953, and I haven't got my notes with me, I have notes, but I don't have them with, me, I could be wrong, it could be 1952 or 1954, when Western Union owned 62 percent of the

[fol. 4856] Page 60

ADT Company, and when it came about that they were going to sell it, we made an attempt to buy the Chicago operating units of ADT.

Q. When you say we, do you mean your company?

A. That is right, and myself and my brother specifically.

Q. Now, you say that you made an attempt. Tell us what you did after you heard that Western Union intended to sell ADT.

A. I visited Mr. Marshall in New York City.

Q. Who is Mr. Marshall?

A. He was president of Western Union.

Q. Tell us what took place in this conference with Mr. Marshall.

A. I discussed the possibility of him selling the whole of Western Union's interest in ADT, and of our purchasing that part of ADT which was in the Chicago area. We had quite an interesting talk about it. It developed that the purchase was going to be made by the Grinnel Company, and he suggested that I call on Mr. Fleming in Providence to talk about my idea of the Grinnel Company.

Q. What was Mr. Fleming's position, sir?

Page 61

A. He was president of the Grinnel Company, and vitally interested at that time in acquiring the whole of the 62 percent that Western Union owned of ADT.

[fol. 4857] Mr. Fritz: I move to strike everything after Grinnel Company.

By Mr. Story:

Q. Did Mr. Marshall tell you at this meeting that a firm agreement had been reached to sell the ADT stock to the Grinnel Corporation?

A. He didn't tell me that a firm agreement had been reached, but he thought they would be the ones that would buy it.

Q. Well, after Mr. Marshall then told you to contact Mr. Fleming, what did you do?

A. I did that, and I had a meeting in Mr. Fleming's office.

Q. Where was that, sir?

A. In Providence, Rhode Island, in the company's office.

Q. When was that?

A. In the same year, in the same month.

Q. Did you go from your visit with Mr. Marshall directly to see Mr. Fleming?

A. No. I think it took about a week to get the appointment. Mr. Fleming at the time was coming back from Europe. This had

Page 62

come up rather suddenly in his mind.

Mr. Fritz: I object and move to strike the part having to do with what was in Mr. Fleming's mind.

By Mr. Story:

Q. There did come a time when you met Mr. Fleming, you say, in his office?

[fol. 4858] A. That is right, yes, sir.

Q. Was Mr. Fleming alone during the time you talked to him?

A. No, sir.

Q. Who else was present?

A. Mr. Clapp was present, and one other officer of the Grinnel Company.

Q. Do you know his first name, sir?

A. I did know it, and my notes will have it. I can't recall it at the moment.

Q. What position did Mr. Clapp hold if you know?

A. He was an officer and general counsel.

Q. Now, would you tell us what was discussed at this meeting?

A. I suggested that in view of the fact that all of the stock of Western Union was going to be sold, and they were so vitally interested in

Page 63

purchasing, and because I felt that I was responsible for having hurried Western Union into selling it, I thought the least that Grinnel could do was permit me, my company, to buy the Chicago ADT interest, because I felt I had helped to achieve a point where they were going to have the advantage of buying ADT, which was something they wanted at the time. Without my help, it would not have come into being so quickly.

Q. What did you do, sir, in connection with the sale of ADT by Western Union?

[fol. 4859] A. Well, I explained to Mr. Marshall that I had noticed that he was having some agitation in the Congress because the Congress had obviously given Western Union a monopoly when they purchased Postal for the written telegraph word, and his agitation at that time was that they were not actually giving him a monopoly because they were permitting AT&T to send written words, too, by wire.

I suggested to Mr. Marshall that his skirts were not clean, that he had a monopoly to send telegrams, the written word, yet he was in the burglar alarm and fire alarm business. It seemed to me that he should make his skirts clean and sell that part of the business. He took that genially, coming from

Page 64

an ignorant young man like me, and he said, "I wanted to get rid of it, too, but I haven't been able to convince the Board of Directors to do that, but I will work on them again." I came back a month later and saw him. I said to him, "Well, now that you are going to sell it, I think you ought to help me, you ought to sell Chicago to me at a fair price. We are not asking for a bargain."

Q. You asked Mr. Marshall that?

A. That is right. He said, "I can't do it. I would like to see you have it. But we have to sell it all to one, and Grinnel is the one I think is going to buy it. So you ought to go down and see Fleming."

[fol. 4860] I told this to Mr. Fleming at our meeting.

I would appreciate it if he would let us buy the Chicago part, and he pursue his interest in the rest of ADT.

Q. What did Mr. Fleming tell you?

A. He said they could not countenance that at the time. They were going to buy——

Mr. Fritz: I object to quoting statements by another person.

Page 65

The Witness: Mr. Fleming said this to me.

By Mr. Story:

Q. You may go ahead, sir. Go ahead.

A. He said he couldn't countenance that at the time. They wanted it all, they were going to buy it all. But at some future time, they would talk to me about our Company operating only burglar alarm in Chicago, and they, ADT, operating only fire alarm, or the contrary.

Q. What did you say to that, sir?

A. I said we still wanted to buy the Chicago interest,

but if he wouldn't permit us, and he was in control, we would talk to him when they were ready.

Q. Now, was Mr. Clapp, Roger Clapp, present during the entire conversation?

A. Yes sir, and Roger is the first name. And one other officer. If I can refer to my notes in the next day or two, I will give the name of the other officer. I see him clearly in my mind's eye to this date.

[fols. 4861-4862] Q. Now, subsequent to that time, did you have any further conversation with any of the Grinnel officials who were present at that meeting concerning the possible purchase of the Chicago Central Station of ADT?

Page 66

A. No, sir.

* * * * * * *

[fol. 4863] Q. Prior to the time your company decided to enter the Central Station protection business, did you [fol. 4864] make this information known to the representatives of ADT?

A. Yes, sir.

Q. What did they say to you, if anything?

A. They were very discouraging to me in the sense they said it was a difficult business, there wasn't any other future than what they had in it, and there wasn't room for another company, and we did not have the technical know-how and we couldn't obtain it.

Page 74

Q. Now, Mr. Stackler, taking the year 1951 as a starting date, have you had occasion to meet with representatives of the American District Telegraph Company here or any other place in connection with the Central Station protection business?

A. Yes, sir.

Q. With whom do you recall meeting from the ADT Company, keeping in mind the date, 1951, to date? Could you name the individuals?

A. I met with Ed Boetcher, I met with Lyle Strauss, I

met with Ray Highstone, I met with Tom Boyle, I met with Earl Smith.

Q. Now, going back, sir, could you tell me what positions these gentlemen that you have named held with ADT at the time you talked to them?

A. With the exception of Earl Smith, they were in the position of sales managers in Chicago. I think commercial manager was the company's designation.

Q. Where did these meetings take place, if you can recall, say the first individual that you met with from 1951, 1952, in there?

[fol. 4865] Page 75

A. It would be generally in a restaurant or in the Union League Club restaurant, in the Covenant Club, my club.

Q. Who arranged these meetings?

A. One or the other of us.

Q. In other words, you arranged some of these luncheon engagements, and they arranged some?

A. That is right.

Q. What was discussed at these meetings? Can you recall the first meeting or generally? Will you tell us what was talked about at these meetings pertaining to the Central Station protection business?

A. Well, in the beginning, I was trying to learn about quality service more than I knew, and by questioning men like Ed Boetcher, I would pick up bits of information about how to run my business. I don't say that a man like Ed Boetcher encouraged me. He didn't encourage me. But in judicious questioning, give and take at a luncheon table, I could learn something.

Q. Did you ever talk about prices that were going to be charged for Central Station protection service?

Mr. Fritz: I object to the question as leading.

[fol. 4866] Page 76

By Mr. Story:

Q. You may answer.

A. Yes, we did. It was always my position when we would talk about price, and these meetings were not entirely or always about price, that Central was in the business

to make money out of the alarm business, and that we would bid installations and maintenance to make money, and that we were not interested in taking jobs at a loss.

Q. Did you tell that to representatives of ADT?

A. Oh, yes, many times.

Q. Did they make any statements to you at any time that you were cutting prices?

A. Yes, once in a while an issue like that would come up on a particular job that was current, that we had taken, or they had taken.

Q. And what was the nature of those discussions?

A. Generally we would find out some salesman had misrepresented. If he thought I had taken a job way below cost, and he was raising hell with me in a kidding way, but the facts weren't so. If I raised hell with him in a kidding way, and said, "What are you doing giving it away," he would check his facts, he would claim

they weren't giving it away.

[fol. 4867] Q. Did either one of you ever produce any contracts to show you had not been cutting prices?

A. No.

Mr. Fritz: I think that it would help us considerably if we could identify the person involved in any——

The Witness: I had conversations of this nature with all of these sales managers.

By Mr. Story:

Q. During what period of time?

A. When each was here. ADT has had quite a turnover in recent years on this position here in Chicago.

Q. I see.

A. But we would meet, the man in that position and I would meet. Principally my objective was to learn more about the alarm business. I was new in it.

Q. Now, sir, during the time from 1951 to date, has your company ever solicited any of these accounts which were being protected by Central Station protection service of the ADT Company?

A. We have bid on them, but we have not solicited them.

Page 78

Q. You have never solicited any of their accounts here in Chicago?

A. Well, when I think of solicitation, maybe I am not agreeing with you as to the definition of that word, and I would like to make sure then what you mean.

[fol. 4868] Q. I mean, you have never gone to one of ADT's customers and solicited that business without that customer calling you and requesting a bid?

A. That is right. In this sense, I say we didn't solicit their customers. We bid on them when were were asked.

Q. When requested?

A. When asked, and we took some.

Q. Was the question of soliciting each other's subscribers ever discussed at these meetings?

Mr. Fritz: I object to the question as being leading. I think the proper question would be what was said at the meeting.

Mr. Story: I think in view of the fact that the witness has stated that his company did not solicit accounts of ADT that this question is proper.

By Mr. Story:

Page 79

Q. Would you go ahead and answer subject to Mr. Fritz' objection?

A. We each of us in these tete-a-tetes knew the futility. Central, when we went into the business, we knew it would be futile to solicit ADT's customers.

Q. Why?

A. Because, in order to get that account from ADT, we would have to install our equipment and charge for it. The customer had already paid for that to ADT. Now, if [fol. 4869] that customer moved, we solicited him, because there was a new location involved. This was my hesitancy in talking about the definition of solicitation. Or if the customer is burned out, have ADT, and was going to rebuild, we would solicit him, and we do to this day, or if he built another place away from that location where ADT would have to make a new installation, we would solicit.

But we felt our time would be wasted, our salesman's time, by calling cold on the ADT customers. We could sell more if we called cold, or any other way, on prospects who had no alarm in there.

Q. During this period from 1951 to date, did ADT solicit any of your Central Station subscribers?

Page 80

A. For the locations where we had an alarm?

Q. Yes.

A. I doubt it. I don't know.

Q. Has it ever been reported to you by any of your customers that ADT was soliciting an existing Central Station subscriber of your company?

A. No, not to me.

Q. Was anything said to your recollection at any of these meetings that you had with these sales managers in Chicago of ADT concerning the solicitation of each other's business?

Mr. Fritz: Objection to the form of the question. It is leading, and in addition to that, I think it was already answered.

[fol. 4870] By Mr. Story:

Q. You may answer.

A. Yes, I think that something was said, but very unimportant because both of us would know the futility of it.

Q. Did anybody from ADT ever accuse you at any of these meetings of soliciting one of their existing accounts?

A. No, sir.

Q. Did you ever accuse ADT at any of these meetings of soliciting

Page 81

your accounts?

A. No, sir. When you say that, any of our accounts, I am assuming you mean where we had an installation in?

Q. That is right.

A. For that premises.

Q. That is right.

How often at these meetings did you bring up to ADT

or did ADT representatives bring up to you the fact that they thought that one or the other of you were giving unprofitable bids on accounts?

Mr. Fritz: I object to the question. For one thing, it is leading, and the other objection is I don't think there was any such testimony.

Mr. Story: There certainly was, as I recall.

The Witness: Am I supposed to answer? I don't know what to do at the moment.

[fol. 4871] Mr. Stackler: Just be quiet until there is a question.

Mr. Fritz: If Mr. Story is content with the question, notwithstanding the objection, then you would answer the question.

Mr. Story: All right.

By Mr. Story:

Page 82

Q. During any of these luncheon conversations that you had with the sales representatives of ADT here in Chicago, did they talk to you about your company cutting the price for Central Station protective service here in Chicago?

Mr. Fritz: I object to that as leading. I think you should call for the conversation.

The Witness: Yes, sir.

By Mr. Story:

Q. Tell us what was said or the circumstances under which such conversations came up.

A. Well, we were both after a similar prospect. Say in this case Central would have gotten it. Maybe we would have lunch two or three weeks later, a week later, in general, and they might say, "You son-of-a-gun: I'll bet you took that for nothing."

Q. Took what, the account?

A. Name the account. I would say, "No, it isn't true." And I knew it wouldn't be true anyway. We didn't do that. [fol. 4872] Now, if I lost it, you see, and the next time we have lunch, I would say, "Well, look what you guys did over

there. I understand you took that for half-price." I used this kind of talk, it was a good defense for me to always

Page 83

claim their price was too low. I felt that if they were inclined to make the price too low, maybe this would help to restrain them from doing it.

Q. Did it so restrain them?

A. I was never in a position with them of saying "Your price was too high." I like to be in a position with them, when I met on that level, of saying "Your prices are too low. We can't get any business on account of it."

Q. What would they answer when you said their price was too low?

A. They would say, "Don't believe these rumors."

Q. Did they ever actually tell you what they got a job for?

A. No.

Q. Did you ever tell them what you obtained a job for?

A. No. We would never go that far with each other.

Q. Mr. Stackler, since 1951, have you engaged in any conversations with representatives of the American District Telegraph Company concerning the possible sale of your company to the American District Telegraph Company?

Page 84

A. Yes, sir.

Q. When was the first such meeting?

[fol. 4873] A. I would say 1955 or 1956.

Q. With whom did you meet?

A. Earl Smith.

Q. How was this meeting arranged?

A. Either by a call of his or the then sales manager calling me and saying, "Earl is going to be in town. He wants to know if you will have lunch with him."

Q. Did you have lunch with him?

A. Many times.

Q. But this meeting, you say, in about 1955, where did that meeting take place?

A. I believe in the restaurant at the Union League Club.

Q. Would you tell us what was said to you, or what the conversation was concerning the purchase of your company by ADT?

A. Well, Earl and I got acquainted, and Earl told me that a good part of his time was spent in traveling for ADT all over the country, and one of his functions was to buy alarm companies. At that first meeting, I was interested to meet him because

Page 85

I had heard his name often in the alarm business, and in my own feelings he is quite, I respect his knowledge of the alarm business.

Q. What position did Mr. Smith hold at that time in 1955?

A. He was vice-president, I believe, in charge of sales, stationed in New York City.

[fol. 4874] Q. So what else was said concerning the purchase of your company at this first meeting?

A. Well, I told him I was too young, and he was too young, we didn't want to sell out. We were having too much fun with this at that time, and it was a family business anyway, seven sisters and brothers who were partners, and the third generation was beginning to get old enough to be interested, and it was interesting to talk to him, talk about some of the things for the general welfare of the alarm business. I was very happy to meet him, and that is about as far as we got in that first meeting.

Q. Did there come another time when you met with any representatives of ADT concerning the sale of your company, or the purchase of your company by ADT?

Page 86

A. Well, Earl would call me then after that, I don't say whenever he got in town, but on occasions when he did get in town, I don't know how often he did get in town, but I would hear from him every two or three months, and we would meet, alternate. I would take him to my club then, and I would say after our third or fourth meeting, I said, "Earl, let's go and meet Ed. I don't want to meet you alone any more. It is getting too complicated." So we met with Ed, in Ed's office, or lunch at the Union League Club.

[fol. 4875] Q. Ed Stackler, your brother?

A. My brother.

Q. One of the partners of the company?

A. That is right.

Q. So about when was the first time that Mr. Smith met with you and your brother, Edward Stackler?

A. I would say within a year of our first meeting, after I had met him maybe two or three times.

Q. And what was the nature of those discussions?

A. We were beginning to get more involved in talking a sell arrangement.

Q. Did there come a time during these discussions when prices

Page 87

for your Central Station were discussed?

A. Yes, sir.

Mr. Fritz: I object to the question on the ground that it is leading and move to strike the answer.

By Mr. Story:

Q. When did this question first come up, or this subject first come up?

A. I would say about 1958, the year 1958.

Q. After 1958, about how many meetings did you and your brother attend with representatives of ADT concerning this purchase of your company by ADT?

[fol. 4876] A. I would say at least half a dozen times.

Q. And there did come a time when the prices to be offered were discussed?

A. Certainly, certainly, at several of these meetings.

Q. Now, with whom were you holding these meetings?

A. With Earl Smith, and Ed and I.

Q. Just the three of you?

A. That is right.

Q. Did there come a time when you were given a firm offer

Page 88

for your company?

A. We were never given a firm offer for our company. We had started to talk about his outfit buying our whole business, and as these conversations progressed, he let us know they would be interested in buying, but only the

Central Station alarm business, only our Central Station alarm section of our alarm business. This was——

Q. What other sections did he not want to buy?

A. Didn't want the watchman section or the janitor, or the investigation section.

Q. What about your local alarm?

A. This was included in our talk. He was interested in Central Station and the local alarm business.

Q. I see.

A. Local alarm business always being infinitesimal.

[fol. 4877] Q. Well, on this firm price, what was said, give us the details there.

A. We finally arrived at a thought of his, and he made it clear that there was no commitment, and this is why I can't say we had a firm offer.

Mr. Fritz: I move to strike anything further as not being responsive. I think the question called for a dis-

cussion as to firm price.

By Mr. Story:

Q. Were any prices, firm or otherwise, discussed between you and Mr. Smith and your Brother, Ed?

A. Yes, sir.

Q. Will you tell us about it?

A. Earl would tell us a formula for buying that ADT had evolved down through the years, and he would suggest about one and one-half or maybe in some cases——

Q. One and one-half what?

A. One and one-half times the annual income or the annual gross, and might even in good cases go up to one and three-quarters or maybe two times. Ed and I were never interested in so minuscule a formula. Finally, in our last meeting——

Q. When was that, sir?

A. This was in late 1961, just prior to the government trouble——

[fol. 4878] Q. That would be 1960 or 1961?

A. That is right. When did the trouble start, the publicity on the anti-trust suit?

Q. The suit was started in April—I think you are right when you say trouble.

Page 90

A. I am sorry. You know I am no lawyer. I don't know how to use the terms. April of 1961.

Q. Yes.

A. We had gotten an expression from Earl that—in our business, towards the end of 1960, was producing about $900,000 a year of revenue, our Central Station business,—that Earl might talk to his people in New York about three for one that, about $2,700,000.

Q. $2,700,000?

A. That is right.

Q. With a formula of three dollars——

A. For one.

Q. Of your annual service charges?

A. That is right.

Q. Now, that was your last meeting?

A. I think we met him after your suit was filed, if I am using the right term, suit was filed. The publicity, I think that came at the time of the suit being filed.

Q. When was that, sir?

[fol. 4879] A. After April of 1961.

Q. What took place at that meeting?

Page 91

A. We had a nice friendly meeting, and we all understood there wasn't much that could be done any more.

Q. What do you mean by that, sir?

A. We weren't going to talk sale any more until we saw how this thing came out.

Q. Now, this price that you indicated, $2,700,000, was that an offer or exactly what did he say concerning that?

A. He said that he might explore the possibility of obtaining this as an offer from his directors.

Q. He would present that——

A. At that point, he had already been appointed as a director of the Board of ADT.

Q. Did he tell you he would present this price to his Board of Directors?

A. Yes, I am sure, if he didn't say that, he implied that.

Q. And at your last meeting, he said the deal was off, is that right?

A. They didn't know where they were going with acquisitions any more, at least for the time being.

• • • • • • •

[fols. 4880-4882] Q. In what area do you render watchman and patrol service?

A. The metropolitan area of Chicago.

• • • • • • •

[fol. 4883] Q. When you undertook rendition of Central Station service, did you seek to convert your watchman accounts into Central

Page 109

Station accounts?

A. Yes, sir.

[fol. 4884] Q. Did you actively solicit all of your watchman accounts for that purpose?

A. Yes, sir.

Q. What percentage of your watchman accounts were so converted or have been so converted?

A. I would say 40 per cent.

Q. How many watchman accounts do you have?

A. Today?

Q. Yes, sir. I will be satisfied——

A. 225. Give me 15 or 20 leeway there.

Q. How many did you have 10 years ago?

A. I would say close to 500.

Q. Did you actively solicit the subscribers to your patrol service with an eye to converting them to Central Station subscribers?

A. Yes, but on a selective basis. We presume to know who would not be a prospect, you see.

Q. Do you know how many of those accounts were converted into Central Station accounts?

A. I would guess 100.

Q. What sort of watchman accounts were converted into Central Station, and I am asking now about the type of establishment.

Page 110

A. The type that are—that are amenable——

Q. I am not asking about what are amenable. I am asking you to state to me——

A. The type that we converted, is that the question?

[fol. 4885] Q. Yes.

A. Are those where the watchman was principally there for fire protection, and where he was on duty during the closed period alone.

Q. In cases where the watchman was in the premises primarily to prevent intrusion, there was no great number of conversions to Central Station service?

A. This would be in lesser degree.

Q. Could you tell me the type of business establishment that you converted from watchman service to Central Station service?

A. I would say primarily factory and the large warehouses.

Q. You failed to convert to Central Station service approximately 60 per cent of your watchman accounts, I gather, from your prior testimony?

A. That is right.

Page 111

Q. Would you tell me the type of business establishment that refused to convert from watchman service to Central Station service?

A. We felt that with a sharp prospect, we have watchman accounts that haven't converted because they are not a good prospect.

Q. I am talking about the type of business establishment that chose to continue with watchmen, if you can tell me what sort of business it was.

[fol. 4886] A. Factory, principally, because the watchmen principally were in factories.

Q. Were any of the factories that did convert to Central Station service, were they establishments which had the same type of protective problem, and had the same type or same location as those which refused to convert?

Read the question back.

(The record was read by the reporter)

The Witness: Well, they may be the same type, but they might have a peculiar problem that would make them less in need of Central Station protection.

By Mr. Fritz:

Q. Mr. Stackler, it sounds like you are talking in terms of a speculation when you say might. Do you know whether any

Page 112

of these organizations that refused to convert did have the similar type of protection problems to those that did convert?

A. Yes, I know that. They would have similar problems, not all of them.

Q. But a fair number of them?

A. A fair number, a good portion of them.

Q. And do they still today take watchman service?

A. Yes, but they may tomorrow take Central Station. You can't convince them all as quickly as the other.

[fol. 4887] Q. What you are saying is that at least in the mind of some of these operators, watchman service was preferable to Central Station Service, or they were satisfied with it, and——

A. That is right. But, in our mind, they were making a mistake.

Q. Did any of your watchman accounts convert to remote station service?

A. Yes.

Q. Were those accounts people who you thought were prospects for Central Station service?

A. Primarily not.

Page 113

Q. But some of them were?

A. That is right.

Q. Could you give me some idea of the percentages?

A. Yes. It would be maybe four or five per cent of those that converted out of watchman and were willing then to take the chance, you see, being in a suburb and not in the city, of saving the Central Station dollars as compared to direct station dollars, and feeling their chances of burglary

and fire were less because they were in a more peaceful suburb than the city.

Q. I see. You had occasion to sell three or four proprietary systems as I recollect your direct testimony?

A. That's right.

Q. Did the purchasers of those proprietary systems at one [fol. 4888] time receive Central Station service so far as you know?

A. I think of two immediately that never had Central Station service.

Q. Do you recall the type of establishment that purchased the proprietary system from you?

A. One of these two was a steel mill and one was the Great

Page 114

Lakes Naval Training Academy.

Q. Are they located here in the City?

A. In the metropolitan area. Both happen to be out of the City limits.

Q. Are they within the reach of Central Station service?

A. Yes, sir.

Q. Did you solicit either of those establishments with an eye towards selling them Central Station service?

A. We tried to convince them of that, yes.

Q. In your opinion, they would have been adequately protected by central station service?

A. I think better protected.

Q. There were some other proprietary systems which you sold?

A. Two more that I am trying to recall. I haven't got their names at my finger tips.

Q. I am not so much interested in their names as I am in whether or not you regarded them as prospects for Cen- [fols. 4889-4890] tral Station service.

A. I can't honestly say until I check that out.

Q. Do you still solicit watchman accounts?

Page 115

A. Yes, sir.

Q. You seek to do watchman business?

A. Yes, sir.

Q. When you approach a prospective customer, some

person whom you regard as in need of some sort of protective service, do you inform the prospective customer that you render both watchman and Central Station service?

A. Yes, sir, and janitor.

Q. I beg your pardon?

A. Yes, and janitor.

Q. Do you find that some of the prospects so approached by you do subscribe to your watchman service notwithstanding the fact that possibly in your opinion they would be adequately protected by Central Station service?

A. Yes, sir.

* * * * * * *

[fol. 4891] Q. Do I gather rightly that in the case of Abart Gear you made no installation charge?

A. We made an installation charge, but it was lumped into the maintenance figure.

Q. This is not a case where you have spread it or amortized it?

A. Yes, it is spread.

Q. You amortized it over every month of the contract?

A. The five years.

Q. That particular contract was a five-year contract?

A. That is right.

* * * * * * *

[fol. 4892] Q. Did you ever approach prospective sub-
[fol. 4893] scribers and have them decline your Central Station service on the ground that they had local burglar alarm systems?

A. No, sir.

Q. You never had any one refuse your offer of Central Station service on the ground that he had a burglar alarm, local burglar alarm system already installed?

A. No, sir. We don't visit such accounts.

Q. You mean that you never approach a person who has a local burglar alarm already installed?

A. That is right.

Q. You think that is futile, and there are greener pastures?

A. Absolutely.

Q. Do some of these people who are using local burglar alarms—assume some of those people who have local burglar alarms did not have them, but were without a protection system at all, would you then regard them as prospects for the Central Station?

A. I think occasionally we may have made an error and go in and asked.

Q. When you say occasionally, do you mean frequently?

Page 143

A. No, sir.

Q. Did you do a great deal of solicitation work?

A. Yes, I did a lot of it.

[fol. 4894] Q. So while it is just an occasional matter, you have made many solicitations, have you not?

A. Yes, with and without our salesmen.

Q. And when you say it is just occasionally this happened, what might that amount to in some absolute numbers? Occasional is such a relative term.

A. I would say a dozen in the last fifteen years. You can't mistake that often.

Q. But you have approached people to sell Central Station service to them and have them take some other form of service from you?

A. Some other form of service?

Q. Yes, either watchman service or direct connected?

A. That would happen, yes.

* * * * * * *

[fol. 4895] Q. All right, sir. Do you have any similar arrangements providing burglar alarm direct connected service to police stations?

A. Similar, but generally there we have made the installation.

Q. And in that case, do you retain title to the equipment in the subscriber's premises?

A. Yes, sir.

* * * * * * *

[fol. 4896] A. We charged $151 some odd thousand for installations in 1957 on our Central Station. 202 of those were

burglar alarm, 42 sprinkler alarm, 5 automatic fire alarm, 2 night watchman, 8 boiler and temperature, and one was a pump.

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[fol. 4897] Q. You mentioned that you have not had occasion to install your sprinkler supervisory systems on any [fol. 4898] new Grinnell sprinkler installations, did you not?

Page 208

A. Yes, sir.

Q. And I believe that you stated that that situation has prevailed since Grinnell's acquisition of ADT?

A. Yes, sir.

Q. Previous to that acquisition, had you had opportunity to install your systems on Grinnell's new sprinkler installations?

A. Yes, sir.

Q. Have you not had a single installation of sprinkler supervisory systems on new Grinnell installations since Grinnell's acquisition of ADT?

A. I checked that again when I left here, and we haven't had a single one. We bid on practically every one in this area.

Q. The bid that you make is submitted to whom?

A. It is a variable. We get our leads from the Dodge Report.

Q. Incidentally, Didge Reports will indicate the existence of any new construction or contemplation of construction?

A. Contemplated construction, saying among other things who is the architect, the owner, the general contractor, and the sprinkler installing company.

Page 209

Q. There are various other sources of information similar [fol. 4899] to that, are there not?

A. Oh, yes.

Q. Like real estate magazines and real estate trade publications?

A. That is right.

Q. Well, I am sorry for having interrupted you. You said that you follow the Didge Reports for leads?

A. That is right. Generally we will start with the owner, unless we know someone well among the others.

Q. The others being what?

A. The general contractor, the architect, or the sprinkler company. We keep following then from there on. Now, sometimes these Dodge Reports are talking about a building that is only in the planning stage. Sometimes they are talking about one that is fairly well along. Sometimes it is just a hole in the ground. It is a variable as to the period or the progress already made in the construction when we get the lead.

Page 210

Q. So in some cases where you have not secured the sprinkler supervisory work, you submitted your bid to the owner?

A. Yes.

Q. Is that the usual thing?

A. We like to go to the top, the owner.

[fols. 4900-4901] Q. The owner being the person who is in control of the whole project obviously?

A. That is right, the company, or the president, you see.

Q. Now, you mentioned, I believe, that there was some sort of an agreement between ADT and Grinnell as to this?

A. What we seem to run up against is that we are foreclosed, when Grinnell installs the sprinkler, and if supervision of a Central Station nature is purchased, ADT has it, invariably.

Q. From that you have concluded that there is some sort of an agreement in existence?

A. Yes, sir.

Q. You don't know whether that fact might result from something other than the existence of an agreement, the agreement which you believe exists?

A. I don't know.

Page 211

Q. You have no reason other than this assumption that you made from these facts to conclude that there is an arrangement in effect?

A. I have the additional reason of having talked to men

in my position throughout the country, and they have the same failure that my company has in this respect.

* * * * * * *

[fol. 4902] Q. When you have a sprinkler supervisory system to install, do you have the installation work or a portion of it done by the sprinkler contractor?

A. In certain cases.

Q. Is it generally done by the sprinkler contractor who installed the system?

[fol. 4903] A. Yes, sir.

Q. So that if it is a Viking, then Viking will put the actuating devices in?

A. We call the sprinkler company to help, it would be Viking.

Q. You always call the company that made the installation?

Page 214

A. Yes, sir.

Q. Do you——

A. When we call in for a sprinkler company to help us.

Q. Have you ever followed the practice of subcontracting out to a particular sprinkler company all of your sprinkler supervisory installation work of the type that, of the non-electrical type?

A. No, sir.

Q. Have you ever undertaken to perform the non-electrical portion of the sprinkler supervisory installation by use of your own employes?

A. Generally we do.

Q. You do that generally?

A. Yes, sir

Q. Are your employes unionized, sir?

A. No, sir.

Q. Do you know whether the sprinkler companies are unionized?

A. Yes, sir.

[fol. 4904] Q. Have you encountered any objection from sprinkler companies about having your men perform work on the sprinkler systems while the sprinkler company's employes are at work?

Page 215

A. Yes, sir.

Q. On the ground that your men were non-unionized?

A. Yes, sir.

Q. Therefore, did you find it necessary to wait for the sprinkler company's fitters to leave the scene before you commenced your installation?

A. Either that or retain them to do it for us.

Q. And the necessity for delaying the work by your men until the sprinkler companies' fitters had left would be a cause of delay, would it not?

A. In the completion of the supervision?

Q. Yes, sir.

A. Yes, sir.

Q. Could that be a substantial delay?

A. Well, I would have to ask what you mean by substantial.

Q. Is it a matter of a day?

A. No, sir, it would be longer than that.

Q. Your employes are chiefly electricians, are they not?

A. Yes, sir.

[fol. 4905] Q. Do you have any plumbers working for you?

Page 216

A. We have mechanical trades, not plumbers, but they are qualified to put our systems into sprinkler systems.

Q. In order to attach the actuating or detecting devices to a sprinkler system, it is necessary to actually work on the plumbing itself, is it not?

A. To cut in?

Q. Yes.

A. Yes, sir. We are doing that every day.

Q. And is it necessary to, for example, to rethread pipe and do things like that?

A. I don't think so, but possibly. If it is, we are qualified to do it.

Q. Have you ever received objections from sprinkler companies as to the manner in which your men performed their work on sprinkler systems?

A. No, sir. Our's meets all of the highest approvals.

Q. Do you know whether sprinkler companies generally warrant the system for a certain period after it is installed?

A. I think they do.

Q. Has it ever been told to you that because of that, has a

Page 217

sprinkler company ever told you that because of the exist- [fol. 4906] ence of that warranty they prefer to insert or do the cutting in to the sprinkler system?

A. Where they prefer, we let them do that. We have no quarrel with them on it. Many do not prefer. It is a little item.

Q. You say that most of your sprinkler systems, including the actuating devices which actually go into the plumbing itself, are installed by your own men?

A. Yes, sir.

Q. Do you find that is a less expensive way to do it than have the sprinkler company do it?

A. It is not a matter entirely of expense. It is a matter of knowing our work for future maintenance. We have to live with this system forever after we put it in.

Q. So you actually prefer to have your own men do it?

A. Yes, sir.

Q. But it is also in part a question of expense, is it not?

A. It is in part a question of expense.

Q. I assume, and perhaps improperly, that your men, not

Page 218

being unionized, work at less hourly pay than the unionized sprinkler fitters?

A. No, they don't work at less hourly pay, but where we ask another construction company to do the work for us, [fols. 4907-4910] they make a profit on their labor. We don't have to make that kind of profit on our labor.

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[fol. 4911] Q. Do you think that any local burglar alarm subscriber of yours has an inventory of more than $15,000?

A. Maybe one or two per cent of them.

• • • • • • •

Q. Do you have any company subscribing to your Central Station service which has inventories of less than $15,000?

A. I doubt it.

Q. It may be?

A. It sure would be a rarity. Do you understand why, or shouldn't I ask the question?

* * * * * * *

[fol. 4912] A. The choice on a larger retail store that is not a department store would never be shall I put a watchman in here or

Page 230

Central station. The watchman price would be prohibitive. The Central Station price he may find high, being new. But his insurance company may say, "You can't have local. You are too big."

Q. Do you have any department stores subscribing to your watchman service, or a combination of watchman and janitor service?

A. I would say no.

Q. Do you know whether here in Chicago there are any stores which do use watchmen?

A. Your department stores use watchmen and Central Station and janitors.

Q. All right. Now, I didn't mean to confine my questioning there, that is why I thought I was getting an unresponsive answer, simply to retail stores. Do I gather that when you were talking about evaluating inventory, and while talking along this line, that has to do only with retail stores, selling establishments?

A. I thought you were confining me to that.

Q. When we get into other types of establishments other than retail stores, but to say warehouses, factories, and in-
[fol. 4913] dustrial establishments, now, I assume you have some kind of

Page 231

measure by which you determine whether one is small or large?

A. Yes.

Q. But it is something other than inventory?

A. Yes.

Q. What is it based on in those cases?

A. It would be the amount of burglary risk they were taking. For instance——

Q. You are talking now solely of burglary, and you are not speaking of fire?

A. That is right, because you are talking about local burglar alarm. So you are kind of holding me there, you see. But you take a small factory, who might be making a metal product that is not a consumer item. He may have an inventory of $30,000 and not be worried about the burglary risk at all. But if he had a retail store with an inventory, and consumer items of $30,000, he would be worried.

Q. But this owner of the manufacturing establishment with materials around worth about $30,000, in that case he is a prospect for what kind of service?

A. He generally is a prospect for a four or five dollar patrol-

man knocking on his door at night. He doesn't have the [fol. 4914] burglary fear that a retailer with consumer items would have.

Q. Do establishments like that subscribe to local burglar alarm service in this City?

A. Occasionally.

Q. Do they subscribe to Central Station Service in this City?

A. Not to Central Station burglary alarm service. They are not worried enough to pay the price.

Q. And do you feel that there is some kind of a sharp cutoff at $30,000?

A. I wouldn't say that sharp.

Q. It might be——

A. It might go to $40,000; it might go to $20,000.

Q. At some point you feel there is an overlap between the difference, or that a person may be a prospect for several different types of service?

A. In the factory?

Q. Yes.

A. From a burglary standpoint, and he is not making a consumer item, he is not a good Central Station burglar alarm prospect.

Page 233

Q. But sometimes——

A. He would have to be bigger, you see.

[fol. 4915] Q. They do sometimes take Central Station service, do they not?

A. Occasionally.

Q. You are saying, perhaps, your sales effort is better devoted somewhere else?

A. Certainly, for Central Station burglar alarm.

Q. Is there a good potential market in the City?

A. For what?

Q. For your type service?

A. Yes, I think there is a good potential market.

Page 234

Q. Would you say that some portion of the Central Station burglar alarm market in this City, while perhaps not expanding, is as yet untapped?

A. Yes, sir.

Q. It is a question of educating the people?

A. Yes, that is one of the questions.

Q. Is that so also with respect to other types of protection service?

A. I would say so, yes.

Q. Sprinkler services?

A. Central Station, yes, sir. It takes a lot of educating, automatic fire alarm, more so than sprinkler.

Q. Do you believe that it is expanding or untapped so far as proprietary systems are concerned?

[fol. 4916] A. I would say it could expand, but not in the City proper.

• • • • • • •

[fols. 4917-4918] Q. Let me ask you this: Have any businesses in that area ever called you and asked you to bid stating that their insurance carrier was requiring Central Station?

A. Yes, we get that kind of call often from all areas.

[fol. 4919] Q. You mentioned that during the course of the conversation that Mr. Fritz said something about the title retention affording you a hold on your customers,

or is that something that you concluded from the discussion?

A. It is something I am worried about.

Q. Do you recall that he actually stated that, or did he state facts that made you come to think of that?

Did he state, for example, that the government was against retention of title?

[fol. 4920] A. He stated that the government was asking that title should not remain with the alarm company.

Q. And this language that you used about this being something that gave you a hold on a customer, is that his language?

A. That is my language.

Q. And is that a statement of some conclusion that you drew from the fact he stated what the government wanted in the case?

Page 275

A. It is a conclusion I have about this alarm business, not necessarily what the government is saying in their suit. I know I have a hold on my customer when I own the equipment. The government doesn't have to tell me that.

Q. Isn't it a fact also that for the purpose of servicing the equipment, for the purpose of efficiency in the making of repairs, that that is facilitated by having the ownership of the equipment in the alarm company?

A. Absolutely. That is a good reason, too. We like it that way. But I know I also get a hold on them when I own it. I wonder if I would have such a good hold if I didn't own it.

Q. There are other reasons for the retention of title, are there not?

A. Absolutely. It is easier to service and maintain and cheaper and less headache to call up somebody and ask, "Can I repair your equipment which you own". I would rather repair it when I think I should, and I couldn't if I didn't own it.

[fol. 4921] Q. Isn't it a fact that Underwriters' Laboratories or the National Fire Protection Bureau, or insurance rating organizations condition the

granting of discounts upon non-ownership of the equipment by the subscriber?

A. I have debated that in my own organization for years, and I am not sure that their rules are clear on that. I know it has to be installed in an approved manner, and I know there has to be a service contract on it by an approved company. I have never really been able to find out if we actually have to own it to obtain approval for our customer.

Q. You mentioned——

A. We, the alarm company.

Q. Have you read the pamphlet 71 and 72?

A. I sure have. I don't think it is clear on that.

Q. That is a debatable question?

A. It sure is.

Q. Is it debatable among the insurance companies or wouldn't you know that?

A. That I wouldn't know. It has been debatable in our organization.

Q. Because it is debatable, you continue to retain it, is that part of the reason?

A. Well, that is part of the reason, but principally I love to own it.

[fols. 4922-4923] Page 277

By Mr. Story:

Q. Why do you love to own this alarm system, sir?

A. It is easier and better for me to maintain it, and examine it when I own it. I have a hold on the customer when his contract expires.

Q. What do you mean by hold? Tell me what you mean by have a hold on that customer?

A. If he is going to get another alarm company to do what I have been doing, he has to pay for a new installation.

Q. ADT, do they sell or lease their alarm systems that they install in a subscriber's premises, Central Station alarm systems?

A. I am sure that they own them.

Q. That would also give them a hold on the subscribers, would it not?

A. I should certainly think so.

Q. What has been your experience in bidding against them where they have a previous installation?

A. We very seldom can take a job because they own it.

• • • • • • •

[fol. 4924] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 358

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; AND AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of LEE C. UNDERDOWN, Central Alarm Company, 330 East Sixteenth Street, Tucson, Arizona.

Page 3

Q. State your name and address.

A. Lee C. Underdown, 330 East Sixteenth Street, Tucson, Arizona.

Q. Are you connected with any business venture engaged in the furnishing of central station electric protection service?

A. Yes sir.

Q. If so state the name and principal office of such business venture, which hereafter will be called your firm.

A. Central Alarm, and the address is 330 East Sixteenth Street, Tucson.

Q. State whether your firm is a corporation, partnership or other form of business venture.

A. No, it is owned by myself.

[fol. 4925] Q. State the position which you occupy in your firm and describe all of your duties in such position.

A. Well, I guess I will be called the owner and manager, and my occupation is anything that comes up, installation, service, office work, regardless of what comes up, that is my duties.

Q. How long has your firm been in the central station protective business?

Page 4

A. 1958—let me see now. I became approved by the Insurance Underwriters on May 5, 1958.

Q. Does your firm provide any of the following types of central station electric protective services:

(a) Central station burglar alarm service and holdup alarm service?

A. Central station burglar alarm service. At the present time we don't have any holdup alarm.

Q. (b) Central station nightwatchman supervisory service and manual fire alarm service?

A. We have manual fire alarm but we don't have any watchman supervision.

Q. (c) Central station automatic fire alarm service?

A. Yes sir.

Q. (d) Central station sprinkler supervisory and water flow alarm service?

A. Yes sir.

Q. Has your company been approved by any of the following insurance organizations having jurisdiction [fol. 4926] over any of the various types of central station electric protection service:

(a) Underwriter's Laboratories, Inc.

Page 5

A. Yes sir.

Q. (b) Factory Insurance Association?

A. I don't know for sure whether we are with Factory Mutual or not. We have Factory Mutual accounts but we are approved by the Arizona Fire Rating Bureau.

Q. (c) Factory Mutual Association?

A. Some of those I don't know.

Q. (d) Any State Rating and Inspection Bureau?

A. Yes, the Arizona Fire Rating Bureau.

Q. If the answer to interrogatory 8 is yes, give the date of each such approval.

A. I already gave you the date of the Underwriter's Laboratory, May 5, 1958, and also by the Arizona Fire Rating Bureau on September 20, 1957.

Q. State the number of central station protection service subscribers and the annual dollar volume of service charges your firm had as of the end of the company's business year, in each of the following categories for each year from January 1, 1957 to January 1, 1962:

(a) Nightwatchman Supervisory Service and Manual Fire Alarm.

A. No, I didn't have any in '57. On September 20, 1957, I

had one fire sprinkler system supervised, but none for [fol. 4927] nightwatchman. I will have to look up the date I installed my only manual fire alarm. My only manual fire alarm was installed in November, 1960. As to the dollar volume of 1960 and 1961, that was $1,443.69 for 1960 and 1961 was $899.35.

Q. (b) Burglar alarm and holdup alarms.

A. There were none in '57 and '58. That is the year I became approved for burglar alarms, and I don't know how much income there was in '58, but I had one subscriber. In '59 I had 24 subscribers with $8,313.70. For 1960, 28 subscribers, $9,740.24. For 1961, 34 subscribers, $11,609.06.

Q. (c) Automatic fire alarms.

A. I don't have any automatic fire alarms.

Q. (d) Sprinkler supervisory and water flow alarm.

A. Well, I installed my first one in September, 1957, and I don't believe I installed any more that year. I don't know what the dollar volume was. I don't have the ledger on 1958, because the ledger was laying here on the desk for at least three months after the FBI came and went through it about a year ago. Something has happened to that ledger,

Page 7

and I don't know where it is. It contained four years of receipts. That was '55, '56, '57 and '58. In 1959 I had two subscribers, and the dollar volume was $1,059.61. For 1960 I had three, and the dollar volume was $1,117.61. In '61 I had four, and it was $2,210.96.

Q. Does your firm retain title to the central station protective systems installed on the subscribers' premises?

A. Yes.

Q. State the names and addresses of the business firm [fol. 4928] from which your company purchases devices and equipment used in your central station electric protection business.

A. Potter Electric Signal and Manufacturing Company, St. Louis 3, Missouri; Alarm Device Manufacturing Company, 1665 St. Marks Avenue, Brooklyn 33, New York; A. W. Fruh & Co., 1874 North Fremont Street, Chicago 14, Illinois; Acme Fire Alarm Co., 106 Seventh Avenue, New York 11, New York. That is about all I have.

Q. State the dollar amount expended for the purchase of devices and equipment by your firm, each year from January 1, 1960 to January 1, 1962, which was used in the firm's central station electric protection operation.

Page 8

A. From January 1, 1960, I bought $3,000.68. In 1961 I bought $2,079.12.

Page 10

Q. Describe the manner in which your firm provides protection, including a description of each type of protective service and each type of protective system furnished.

A. I will give you fire first. We install devices on sprinkler systems that signal us if a sprinkler head goes off. We install devices on valves that let us know when a valve is shut off. We install manual pull boxes in buildings, and wherever a manual pull box is pulled we receive the signal at our central office. Now we will go to burglary. We install what is called a conventional burglar alarm, which is protection for all openings in a building. In addition to that we also install what is called ultrasonic alarms,

[fol. 4929] which detects any movement inside the building. We install proximity units, which gives protection for safes only, and sound alarms which is manufactured for vaults only. That is about it.

Q. State whether your firm furnishes direct-connected or

Page 11

remote station alarm service, i.e. alarm services in which the subscriber's premises are connected by leased lines directly to local police or fire departments. If so, designate each hazard (i.e., burglary, fire, etc.) against which such service is provided.

A. All of the alarms, both burglary and fire alarms, are wired directly to my own office, not to the fire department or the police department.

Page 12

Q. State whether your firm furnishes (1) local burglar alarm service?

A. Yes.

Q. State (a) whether your firm sells alarm systems.

A. No, we don't sell alarm systems in the City of Tucson. However, if a surrounding small town wants to buy an alarm system we will install that and sell it to them.

Q. State (b) whether your firm installs alarm systems.

A. Yes.

Q. State (c) whether your firm services alarm systems.

A. Yes.

Q. State (d) whether your firm contracts with customers to install alarm equipment and provide protective service.

[fol. 4930] A. Yes.

Q. State (e) your firm's customary contract period and provide

Page 13

sample copies of each form of such contract.

A. My customary contract is three years. Some people would not accept this contract, and we have written contracts with some people, it is the long form. (See samples attached hereto.)

Q. State (f) whether title to equipment and devices installed on subscriber's premises is retained by your firm.
A. It is.
Q. State (g) whether upon termination of a contract for protective services, your firm removes from the subscriber's premises the installed equipment?
A. Yes.
Q. State (h) whether your contracts for protective service provides for automatic renewal upon expiration of the original term.
A. That is what the short form is, automatic renewal, or a continuous contract.

Page 15

Q. Do these sales people offer for sale to potential customers all types of electric protection services that your company provides?
A. We offer our services, not to sell equipment.

Page 17

Q. What is your best estimate of the percentage of the total protective service business your firm has in its area of operation?
[fol. 4931] A. I would say I probably got 95% of the business in Tucson.

Page 18

Q. How long has your company been furnishing each of the types of electric protective services other than central station electric protection service?
A. Since 1945.
Q. State (1) the number of subscribers and (2) the dollar volume of annual services charges and installation charges received by each company, for each type of electric protection service

Page 19

furnished by your company for each year from 1957 to 1961, inclusive.
A. I don't have records for 1957 and 1958. Central station for '59 was burglary alarm, 24 subscribers, and the dollar volume was $8,313.70. Sprinkler system and water flow was two subscribers, and the dollar volume was

$1,059.61. In 1960 the burglar alarm was 28 subscribers, and the dollar volume was $9,740.24. Sprinkler system and water flow, there were 3 subscribers, and the dollar volume was $1,117.61. For 1961, burglar alarm, there were 34 subscribers, and the dollar volume was $11,609.06. Sprinkler system and water flow, there were 4 subscribers, and the dollar volume was $2,210.96. Now, the only way we can get local is to add these ledgers up or subtract the central from my gross income as stated in my income tax returns. In locals in 1959 we had 275 possibly. In 1960 290, and in 1961 probably 310 subscribers. My gross income [fols. 4932-4933] for '59 was $28,544.53. Subtract from that $9,373.31, and that will give you my income from locals in '59. My gross income in 1960 was $34,135.42. Subtract from that $10,851.85, and that will be my income from local burglar alarms in 1960. In 1961 my

total income was $46,808.05. Subtract from that $13,820.02, and that will be my gross income from local burglar alarms in 1961.

Q. Describe the geographical area in which your firm furnishes each type of electric protection service described in the answers to the previous questions.

A. Tucson and vicinity.

Q. Within the geographical area just described state the name of each company which furnishes any type of protective service in competition with the various types of protective services furnished by your company, and state the type of protective service that is furnished by each such competing company.

A. The only burglar alarm company that has been in competition with me is Arizona Merchant Police Patrol Burglar Alarm Company. Locals is all they furnish.

[fol. 4934] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 359

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of LYLE AND JOE UNDERDOWN, Central Alarm Company, 916 West Adams Street, Phoenix, Arizona.

Page 2

Q. State your name and address.

A. My name is Lyle Underdown. My home address is 1812 East Stella Lane, Phoenix, Arizona.

Q. Are you connected with any business venture engaged in the furnishing of central station electric protection service?

A. Yes.

Q. If so, state the name and principal office of such business venture, which hereafter will be called your firm.

A. Central Alarm Company, 916 West Adams Street, Phoenix, Arizona.

Q. State whether your firm is a corporation, partnership or other form of business venture.

[fol. 4935] A. A sole proprietorship owned by my father, J. B. Underdown.

Q. State the position which you occupy in your firm and describe all of your duties in such position.

Page 3

A. I am General Manager. Encompasses sales, management, central station operation service and installation.

Q. How long has your firm been in the central station electric protective business?

A. Since 1950, which would be going into the 13th year.

Q. Does your firm provide any of the following types of central station electric protective services:

(a) Central Station burglar alarm service and holdup alarm service?

A. Yes.

(b) Central Station nightwatchman supervisory service and manual fire alarm service?

A. We have no watchman supervision, but we do have manual pullboxes.

(c) Central station automatic fire alarm service?

A. Yes.

(d) Central station sprinkler supervisory and water flow alarm service?

A. Yes.

Q. Has your company been approved by any of the following insurance organizations having jurisdiction over any of the various types of central station electric protection service?

[fol. 4936] Page 4

(a) Underwriter's laboratories, Inc.

A. Yes.

(b) Factory Insurance Association.

A. Yes.

(c) Factory Mutual Association.

A. Yes.

(d) Any State Rating and Inspection Bureau.

A. Arizona Fire Rating Bureau.

Q. If the answer to interrogatory 8 is yes, give the date of each such approval.

A. Underwriter's Laboratories, Inc., August 15, 1952.
Factory Insurance Association, October 1958.
Factory Mutual Association, December 5, 1962.
Arizona Fire Rating Bureau, latter part of August 1956.

Q. State the number of central station protection service subscribers and the annual dollar volumes of service charges your firm had as of the end of the company's business year, in each of the following categories for each year from January 1, 1957 to January 1, 1962:

(a) Nightwatchman Supervisory Service and Manual Fire Alarm.

(b) Burglar Alarms and Holdup Alarms.

Page 5

Q. (c) Automatic Fire Alarms.

(d) Sprinkler Supervisory and Water Flow Alarm.

A. I will furnish this information on a form submitted to me by Mr. Noel E. Story, Attorney, Department of Justice.

[fol. 4937] (The said form, a chart entitled "Central Station Subscribers and Revenue, 1957-1961," was marked for identification by the notary and is appended hereto as "Plaintiff's Exhibit 1.")

Q. Does your firm retain title to the central station protection systems installed on the subscribers' premises?

A. Yes.

Q. State the names and addresses of the business firms from which your company purchases devices and equipment used in your central station electric protection business.

A. Potter Electric Signal & Manufacturing Company, 1211 Pine Street, St. Louis 3, Missouri.

Acme Fire Alarm Company, 106 Seventh Avenue, New York 11, New York.

Morse Signal Devices, 12960 Bradley Avenue, Sylmar, California.

Central Station Signals, Inc., 53 West 23rd Street, New York 10, New York.

Walter Kidde Detection Alarms, Inc., Brighton Rd., Clifton, New Jersey.

Page 6

Alarm Device (Ademco), 1655 St. Marks Avenue, Brooklyn 33, N. Y.

Mosler Research Products, 9 South Street, Danbury, Connecticut.

Electric Storage Battery Company, Exide Industrial Division, 1043 South Grand Avenue, Los Angeles 15, California.

[fol. 4938] A. W. Fruh & Company, 1815 Orchard Street,

Chicago 14, Illinois. Imperial Products Company, 37-08 Greenpoint Avenue, Long Island, 1, New York.

Mercoid Controls, 4201 Belmont Avenue, Chicago 41, Illinois. Bright Star Battery Company, 1355 Market Street, San Francisco, California.

American District Telegraph Company, P. O. Box 358, Albuquerque, New Mexico.

Q. State the dollar amount expended for the purchase of devices and equipment by your firm, each year from January 1, 1960 to January 1, 1962, which was used in the firm's central station electric protection operation.

A. 1960 ..... $18,212.14
1961 ..... $25,372.18

Page 7

Q. Does your firm provide protection against losses by:
(a) fire
A. Yes.

Page 8

(b) Burglary
A. Yes.
(c) malfunction of machinery
A. Yes.
(d) negligence of personnel
A. Yes.

[fol. 4939] (e) other hazards, and if so specify such other hazards.

A. Not to my knowledge.

Q. Describe the manner in which your firm provides protection, including a description of each type of protective service and each type of protective system furnished.

A. (a) Direct wire burglar alarm, a silent alarm system, reporting from subscriber's premises to central alarm headquarters by utilization of leased telephone wires;

(b) McCulloh or Circuit Burglar Alarms;

(c) Fire Alarm service:

(1) Sprinkler Supervisory, valve supervisory underground supervisory, water level supervisory, and manual pullbox service;

(2) Thermostat automatic fire alarm system by utilization of individual thermostat detectors;

Page 9

(3) Tubing systems, by utilization of Atmo tubing

(d) Holdup alarm. Both direct wire and McCulloh, by utilization of various holdup triggering devices available through manufacturers of burglar alarm equipment, as included in our list of manufacturers that we purchase from.

(e) Industrial Process Supervision, such as gas valve supervisory, temperature deviations, loss of air pressure for various types of controls, electrical power supervision.

Q. State whether your firm furnishes direct-connected or remote station alarm service i.e. alarm services in which [fol. 4940] the subscriber's premises are connected by leased lines directly to local police or fire departments. If so designate each hazard (i.e., burglary, fire, etc.) against which such service is provided.

A. Yes. Both burglar and fire alarm.

Q. State whether your firm furnishes protective service by use of telephone answering services. If so, designate each hazard against which such service is provided.

A. No.

Page 10

Q. State whether your firm furnishes auxiliary alarm services, i.e. manual or automatic alarm devices directly connected to municipal alarm systems.

A. No.

Q. State whether your firm furnishes proprietary alarm systems, i.e. an alarm system which transmits signals to a central point within the protected premises, and which is owned or operated by a customer or its employees. If so, designate each hazard against which such service is provided.

A. No.

Q. State whether your firm furnishes (1) local burglar alarm service; (2) local fire alarm service (in which an audible alarm is sounded on the protected premises).

A. (1) Yes.

(2) No.

Q. State

a. Whether your firm sells alarm systems.

[fol. 4941] A. Yes, we have sold burglar alarms installed in automobiles and local alarms in remote areas of Arizona out of the normal servicing routes of our company (in excess of 100 miles).

b. Whether your firm installs alarm systems.

A. Yes.

Page 11

c. Whether your firm services alarm systems.

A. Yes.

d. Whether your firm contracts with customers to install alarm equipment and provide protective services.

A. Yes.

e. Your firm's customary contract period and provide sample copies of each form of said contract.

A. Three Years. We have two contract forms.

(A form entitled "Central Station Sprinkler Service Contract" was marked for identification by the notary and is appended hereto as "Defendant's Exhibit A.")

(A form entitled "Central Station Burglar Alarm Service" was marked for identification by the notary and is appended hereto as "Defendant's Exhibit B.")

f. Whether title to equipment and devices installed on subscriber's premises is retained by your firm.

A. Yes.

g. Whether upon termination of a contract for protective services, your firm removes from the subscriber's premises the installed equipment.

[fol. 4942] A. Yes, Major devices. Not wires, nails and conduit.

Page 12

h. Whether your contracts for protective service provide for automatic renewal upon expiration of the original term.

A. Contract is renewable automatically, but on a month to month basis up to such time as new contract is officially submitted and signed for another three-year period.

Q. If your firm sells alarm systems state the approximate gross revenue or best estimate thereof derived by your firm in each of the past five years from sales of each type of alarm system. State the geographic area in which such sales are made.

A. Average on a five-year basis would be a $250.00 a year locally, by installation of truck or car alarms; and $300.00 average per year for the sale of alarms in northern extremities of Arizona.

• • • • • • •

[fols. 4943-4944]

Page 15

Q. State whether the following compete with the type or types of protection furnished by your firm:

a. Central station electric protection service accredited by insurance inspection and rating organizations.

A. Not at the present time.

b. Central station electric protection service not accredited by insurance inspection and rating organizations.

A. Yes.

c. Direct connected alarm service.

A. No.

d. Local fire alarm service.

A. No.

e. Local burglar alarm service.

A. Yes.

f. Local alarm systems monitored by central stations.

A. No.

[fol. 4945] g. Telephone answering alarm service.

A. Yes.

h. Auxiliary fire alarm service.

A. No.

i. Proprietary alarm systems.

A. Yes.

Page 16

j. Watchmen, patrols and guards.

A. Yes.

k. Watchman's portable clocks.

A. Yes.

l. Insurance.

A. Unknown. Question not explicit enough.

Q. State whether, during the past five years, the number of your firm's competitors has

a. Increased.
b. Decreased.
A. Increased.

Q. What is your best estimate of the percentage of the total protective service business your firm has in its area of operations?

A. We have 98 percent of the central station service that is currently utilizing this type of service, and approximately 45 percent of the local alarm service presently being utilized in Phoenix metropolitan area.

[fol. 4946] Q. What is your best estimate of the percentage of total sales of alarm systems made by your firm in the area of its operations?

A. The answer to Number 17 is applicable here.

Page 17

Q. In your opinion, have the percentages stated in your last two answers changed in the past five years. If so, describe such changes.

A. Yes, appreciably. The purchase of General Alarm Corporation, September 15, 1959, increased our percentage from 66-2/3 percent to 98 percent of the central station service. During the past five years another company has gone into business and has installed approximately 200 local alarms.

Q. Has your company been approved by any of the following insurance organizations having jurisdiction over any of the various types of electric protection services furnished by your company?

(a) Underwriter's Laboratories, Inc.

A. Yes.

(b) Factory Insurance Association.

A. Yes.

(c) Factory Mutual Association.

A. Yes.

(d) Your State or Regional Fire Insurance Rating and Inspection Bureau.

A. Yes. Arizona Fire Rating Bureau.

Q. If the answer to question 20 is "Yes", give the date of each approval for each class of service.

[fol. 4947] A. Underwriter's Laboratories, Inc., August 15, 1952.

Factory Insurance Association, October 1958.
Factory Mutual Association, December 5, 1962.
Arizona Fire Rating Bureau, latter part of August 1956.

Page 18

Q. How long has your company been furnishing each of the types of electric protective services other than central station electric protection service?

A. 24 years.

Q. State (1) the number of subscribers and (2) the dollar volume of annual service charges and installation charges received by your company, for each type of electric protection service furnished by your company for each year from 1957 to 1961, inclusive.

A. I will furnish this information on a form submitted to me by Mr. Noel E. Story, Attorney, Department of Justice.

(See Plaintiff's Exhibit 1 appended hereto, in response to Interrogatory No. 10 of the Direct Interrogatories.)

Q. Describe the geographical area in which your firm furnishes each type of electric protection service described in the answers to the previous questions.

A. Encompasses the metropolitan Phoenix area, and adjacent cities to the southeast, such as Eloy, Arizona, which is approximately 70 airline miles; as far west as Buckeye, Arizona, which is 32 miles; as far north as Deer Valley, which is 20 miles; and south to the limits of South Mountains of Phoenix.

[fols. 4948-4949] Page 19

Q. Within the geographical area just described state the name of each company which furnishes any type of protective service in competition with the various types of protective services furnished by your company, and state the type of protective service that is furnished by each such competing company.

A. Guardian Alarm and Ace Alarm. They both provide local burglar alarm service and telephone answering service connected central station burglar alarms.

Q. State with respect to each of the four classifications of central station subscribers listed in plaintiff's question

number 10, the number of such subscribers as of January 1, 1962, whose alarm installations were certificated or approved by any insurance inspection or rating organization having jurisdiction over that type of alarm system.

A. 52—Burglar Alarm systems
74—Sprinkler Supervisory
4—Automatic Fire Alarm

Page 20

Q. How much revenue in annual service charges does your central station need in order to break even each year?

A. Gross, approximately $15,000 monthly, to break even.

Q. How long did it take from the time your company first opened its central station until its central station operations reached the break-even point?

A. 12 years and 10 months.

[fol. 4950] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 360

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of ALEX VENNERS, Federal Enginering Company, Inc. 1004 Sixth Street, N. W., Washington, D. C.

Page 2

Q. Mr. Venners, state your full name and your home address?

A. Alec Venners, 8805 Clifford Avenue, Chevy Chase, Maryland.

Q. What is your occupation, Mr. Venners?

A. I am with Federal Engineering Company as Vice President and General Manager.

Q. Where is Federal Engineering Company located?

Page 3

A. 1004 6th Street, Northwest.

Q. What type of business is the Federal Engineering Corporation engaged in?

[fol. 4951] A. We are a central station electrical production company installing, maintaining and servicing alarm systems.

Mr. Williams: Let's go off the record for a moment.

(Discussion off the record.)

Mr. Story: Back on the record.

By Mr. Story:

Q. When did you first go—excuse me. Did you finish your answer?

A. I believe so.

Q. When did you first come with the Federal Engineering Corporation?

A. In September of 1950.

Q. Mr. Venners, would you describe the duties that you undertook with the Federal Engineering Corporation?

A. At the present time I am directly in charge of the central station in the performance of our duties and also direct the sales. I am primarily responsible for all sales of the organization.

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[fol. 4952] A. Only in emergency somebody might step in and handle a sale if I were out of town or something, or handle a contract for me but I would eventually complete the sale.

Q. And how long have you functioned in that capacity, sir?

A. For 11 years.

Q. Does your company have any competing companies for central protection service in the Washington, D. C. area?

A. Central station competitors?

Q. Yes.

A. ADT.

Q. Do you have any others?

A. There are some local alarm installers. There are about—I think the phone book would show four or five or six but I think that there are three that are active.

Q. What are those companies, sir?

A. Metropolitan Burglar Alarm Company, ABC Burglar Alarm Company, Flash Alarms and one of the new companies is Sasco, S-a-s-c-o (spelling). I think they are about the most active of the alarm installers.

Page 5

[fol. 4953] Q. Yesterday, Mr. Venners, defendants' attorney asked that copies of your contracts be produced here today.

A. Do you have copies of those contracts with you?

A. I have a copy of a contract. We only use one contract and that's the original and its copy.

Q. Do you want that to be marked?

Mr. Williams: Yes, we can mark that as Defendant's Exhibit A for identification.

(The document referred to above was marked as Defendant's Exhibit A for identification.)

Mr. Williams: Defendant's Exhibit A for identification has been marked and it is the Central Station Electrical Supervisory Service contract.

By Mr. Story:

Mr. Venners, for what periods of time does your company enter into contracts to furnish central station protection service?

Page 6.

A. Well, we have a minimum of one year and a maximum of five.

Q. Would you tell us what per cent of your contracts are for a one-year period?

A. About 75 per cent one year.

Q. What per cent of your contracts are for three-year periods?

[fol. 4954] A. I would say that about 15 per cent of our contracts would be for probably a two or three year duration.

Q. And what per cent of your contracts would be for five-year periods?

A. The balance; about 10 per cent.

Q. Mr. Venners, after your company had received its approval to conduct approved central station protection service, did you meet with any respresentatives of the American District Telegraph Company?

A. Yes, on a few occasions.

Q. Do you recall the first time you held a meeting with representatives of ADT?

A. I would say that it was somewhere back about 1954, in that area.

Q. Who was present at the meeting?

Page 7

A. Mr. Brosman of our company and we met with Mr. Heisley of the ADT Company.

Q. What took place at that meeting?

A. Well, they were normally luncheons and a discussion usually centered around the business of the week or the the month that they had to discuss and it was primarily a discussion of a competitive nature, something that we had been doing to them or were about to do to them or something that they had discovered about our operation that they thought they ought to talk to us about.

[fol. 4955] Q. Now, sir, you stated that you come with Federal Engineering Company in 1950. At the time you held this meeting with Mr. Heisley, did you as the chief salesman of your company solicit the central station protection accounts that were being serviced by ADT?

A. We never—our practice was to stay away from any of their accounts and just try to get our own new accounts. This was my job, to pick up new accounts and sell new systems.

Q. What was Mr. Heisley position at that time?

A. Well, at that time it was my understanding that he was the District Manager for several other states besides Washington.

Page 8

Q. That is the District Manager for ADT?

A. Yes.

Q. Was the matter of soliciting each other's accounts discussed at this meeting that you attended with Mr. Heisley and Mr. Brosman?

A. Yes. We did discuss each other's accounts and the solicitation of each other's accounts?

Q. What specifically did you say concerning the solicitation of each other's accounts.

A. I am trying to recall what happened there. The conversation usually centered around various topics but [fol. 4956] it would get around to the fact that there wasn't any need for us to hurt each other in any way, that there is no reason why there couldn't be enough

business in this area for both of us. Therefore, why should we go after any of their accounts if anyone should call us. At that time, there were customers of theirs that would call us. That is how we got involved in the thing. It was just a question of getting these calls and determining what to do about it and then these people would in some way, I think, they were letting ADT know that there was a competitor and they tried to keep their prices down. I imagine that is why they called us. So it was

Page 9

our plan to come up with an effort that would not discredit ourselves and refuse to do business with them, but at the same time, sort of go in there backwards.

Q. Now, sir, why didn't you solicit ADT's accounts during that period of time?

A. Well there was an agreement reached at these meetings or an understanding that we would not solicit each others accounts. Primarily that was the reason. I probably felt back in my mind somewhere that for every one [fol. 4957] I took of theirs, they might take four or five of mine and we just couldn't afford it.

Q. Now when you say that one of ADT's customers would call your company for a bid, what action did you take after you received such a call?

A. I wish you would restate that question. I didn't hear it clearly.

Q. What happened in the event that one of ADT's customers called your company and asked for a bid during this period of time when you had an understanding or agreement with ADT?

Mr. Williams: Excuse me. Are you talking about a specific instance here?

Mr. Story: No, I am asking generally what he did.

Page 10

Mr. Williams: Well, let him state that he did it in every case the same way then. Otherwise, it doesn't mean anything.

The Witness: Well, what I did in every case, in most every case—there might have been a case or two that I didn't do it the same way—but in most every case the

pattern was the same—I always went to the customer who called to talk with them and to see the premises because I thought that was the logical thing to do. We are in business, you know. When they call you, you go. [fol. 4958] They ask you come. So we came and we would survey the premises and estimate the cost of the job.

By Mr. Story:

Q. Now what type of prices did you submit in connection with that type of customers?

A. Well the prices we bid I might say were rather high prices or if I could get away with it, no price at all. In some ways, I tried to discuss with ADT's subscriber and mention the fact that they already had a system, why in the world would they want another system.

It always came out that they wanted to know whether or not I would be interested in more business or why would I neglect to want to sell systems. I would always remind them that the system they have is not theirs, it

would be taken out. Many forget all about it. They never realize that's what happens. They always think they own their equipment. It is amazing how many people have to refer to the contract to remember that they lease, they don't own it.

Finally when I convinced them that they have to pay for a new system, I would try to give them the cost, verbally [fol. 4959] at the time and at that time I would get my price high and the maintenance and service charge was also given to them and they could quickly see that in order to take my system they would have to pay too much money and that is why I was able to slide out of it very easily.

Q. Now, sir, on such bids how did your service charges compare with the service charges of ADT?

A. Well, Mr. Heisley at that—I remember the first meeting——

Mr. Williams: I don't think this is responsive to the question that you asked, Mr. Story. You asked him how did his charges compare, not for a conversation with Mr. Heisley.

The Witness: Well, the charges were usually arranged. My prices generally would be what I figured to be fair enough price for me to just drop that subscriber and not have to do business any more by receiving

Page 12

a telephone call from ADT salesman telling me that they had found out about this customer and that they had called and said that they probably are going to move over with a new company, ourselves, and that if I was going to submit a bid and was going to send them a proposal that [fol. 4960] this is what they are paying ADT and I was supposed to submit a proposal that would be safe for ADT.

By Mr. Story:

Q. So ADT's salesman did submit to you prices that the disgruntled subscriber was paying at that time?

Mr. Williams: Objection to the form of the question and to the word "disgruntled".

By Mr. Story:

Q. You may answer.

A. Yes, ADT would call me and tell me what they were charging the customer.

Q. Now when one of your subscribers called ADT for a bid, did you furnish the ADT salesman with the service charges your company was charging that subscriber at that time?

A. No. Never.

Q. You never submitted any of your service charges to ADT?

Page 13

A. Never.

Q. How often did ADT salesmen call you when they heard you were bidding on one of their accounts and give you ADT's service charges?

A. Oh, I would guestimate over the past ten years about 12 to 15 times.

[fol. 4961] Q. Now, sir, this first meeting that you first

attended with Mr. Heisley, do you recall anything else that took place during this meeting?

A. I am afraid that I can't remember too much of what took place except the general tone of the discussion. I recall that we discussed conditions in Washington, discussed conditions in other areas where he covered. I think he had Delaware and Baltimore and Virginia, but primarily, I think the tenor of the meeting was to discuss the local sales problem between his company and ourselves, the fact that we might not hurt each other or should not hurt each other, that there was enough business for all of us and he tried many times to convince us that our prices were too low.

Q. Did he ever mention that, sir?

A. Yes. He would. I imagine many times it sounded like a joke. Smilingly, he would say, "you've got your prices too low. You've got to get them up."

Page 14

And I would say, "You mean as high as yours?" And that is more or less where it would rest.

Q. Who arranged this first meeting that you had with Mr. Heisley?

[fol. 4962] A. To my best knowledge, I think Mr. Heisley called Mr. Brosman whom he knew. I didn't know Mr. Heisley too well until I met him at this first luncheon and that was the first time I had met him and then Mr. Brosman invited me to go along.

Q. Had Mr. Heisley and Mr. Brosman met together prior—in Washington, prior to the time that you attended your first meeting?

A. Oh, yes, I believe they had meetings that I did not attend. I know many times I would be out talking to a customer and come back late in the afternoon and find out that Mr. Brosman had met with Mr. Heisley.

Q. Now the prices that you submitted when bidding on a customer which was being serviced by ADT, how did those prices compare with the prices that you were bidding on new accounts where you knew that ADT was in competition with your company?

Mr. Williams: I am going to object to the form of the question.

By Mr. Story:

Q. You may answer.

A. They were higher—oh, much higher than our normal form of pricing even though we knew ADT was on the [fol. 4963] job or was not on the job.

Q. Now, Mr. Venners, do you recall any other meetings that you had with Mr. Heisley, the District Manager for ADT?

A. Yes, we met. If I'm not mistaken we met approximately twice a year, say, would be the number of meetings from about 1955 until '58.

Q. How long did Mr. Heisley remain as the District Manager of ADT in Washington?

A. He was District Manager up until he died.

Q. And when was that, sir?

A. That was, I believe, in February '59.

Q. Do you recall anything specifically that took place at the next meeting that you had with Mr. Heisley?

A. All of the meetings were called seemmingly to discuss a particular competitive situation which we had and just general get-together, have lunch and a drink, something like that, and there may have been a specific job or two that he may have wanted to discuss, which seemed to be the reason for the luncheon.

Page 20

Q. Now do you recall any other incidents that occured which were discussed at these meetings with Mr. Heisley?

A. Excuse me for hesitating. I am trying to think.

[fol. 4964] We had one job that we discussed. It was, at the time—they are not in business any longer—at the time they were the Simon Distributing Company and at the time he wanted to know at the meeting

Page 21

what the devil we were doing with such a low price on this job.

This was a new building that had burglar alarm and a fire alarm and to the best of my knowledge ADT submitted prices much higher than ours and they hadn't made a decision for some number of weeks because in my trying to follow up the job and land the contract, I was

told that I was in very, very good position and when I came to get my contract I was told that I am no longer in such a sweet position, that my prices were too high.

Q. Who told you that, sir?

A. Mr. Simon who was the proprietor of Simon—it was called Simon Distributing Company.

Q. Well what was discussed at this meeting with Heisley concerning this job?

A. Well, we had to adjust our price. This job was recommended to me by a friend who was an insurance agent and the insurance agent wanted me to have the [fol. 4965] job and so he kept talking to me about it and he said, "You had better sharpen your pencil and get it." So I sharpened my pencil and did what had to be done to get the job. We got the job and Mr. Heisley took that up at a meeting, that he didn't appreciate cutting the price to get the job.

Page 22

Q. What was your second price on that job?

A. Well, Mr. Simon said that what I had to do was to arrange it so that he didn't have to pay any money at all as an installation but to spread it out over a long period of time. It was the first time, incidentally, that I became aware that ADT was spreading out their installation charges.

Normally, they would get a fairly good size installation charge but in this case I was told that there was no installation charged. I don't know how true it was.

Mr. Williams: Could we have the time fixed for this conversation?

The Witness: This was about in 1955.

By Mr. Story:

Q. Well, what did you tell Mr. Heisley when he told you that he did not appreciate the prices that you bid on the Simon Distributing Company account?

[fol. 4966] A. I just told him that I didn't appreciate what he was doing.

Q. Well. how did your second price compare with ADT's second price?

Mr. Williams: Object to the form of the question. There has been no testimony that ADT submitted a second price yet.

Page 23

By Mr. Story:

Q. Strike the question. Did ADT submit a second bid on this account?

A. I was told that they did.

Q. Who told you that?

A. Mr. Simon.

Q. You have testified, I think, that thereafter because of your insurance friend you reduced your prices; is that correct?

A. I brought my price down. I wiped out my installation price and spread it out over a five-year period.

Q. Had ADT submitted such a proposal as far as the payment of the installation charge was concerned?

A. Yes. I was told that they had a plan to pay it out over a five-year period, that there would be no installation.

Q. Mr. Venners, what is your company's policy con- [fol. 4967] cerning the payment of installation charges?

A. Well, we generally have a cost for installation which covers our material, our labor, overhead and a very small profit from every job.

Q. When is that paid, sir?

A. Upon completion of the job.

Page 27

Q. Well, who got the contract?

A. ADT.

Another one in a similar vein is the International Distributors where they moved from their location to a new location and I knew those people too and I got to know the owner of that who found out about us through a friend of mine and he was a toy miniature railroad enthusiast and he needed some parts and so we kept a selection of small switches and gear,

Page 28

so he came to visit us and he used to take little pieces of equipment that he needed.

One day he called and said that he was going to move and maybe he could use our alarm service. So I went to see him and saw the plans for the new place and I told him that I wanted to bid. He said, "I would love to have you bid," and I gave him a proposal.

[fol. 4968] I called back there and he told me that I just couldn't get it because he had a contract with ADT that had two years to go and that he would have to pay $1500 to get rid of that contract and he said, "If you show me some way that I can save that $1500, I will go with you." Of course, I couldn't do it, so ADT got that job.

Q. And you mentioned this incident to Mr. Heisley at one of these meetings?

A. I believe I may have mentioned it because it was of an unusual nature and those were the only two that I had ever gotten into which had contracts that they couldn't get out of it. You know, the others were usually—had nothing to do with moving. They just wanted to get rid of their system because they heard that we could give it to them at a lesser price. These were unusual cases. I recall that we mentioned that at a meeting.

Page 29

Q. Now, Mr. Venners, at any time when you did submit a bid on a customer who was being serviced by ADT, did you get any other accounts?

A. At any time—would you repeat that question please?

[fol. 4969] Q. During this period of time when an ADT subscriber would call you and ask you to submit a bid, thereafter did you actually obtain any of those contracts for service?

Mr. Williams: Just a minute. We haven't stated what period of time we are talking about. You just said "this period of time". Could we have a limitation there so we would know what we are talking about?

By Mr. Story:

Q. First of all, during any period of time.

A. During our time, we have taken ADT accounts and brought into our central station.

* * * * * * *

[fol. 4970] Q. Well what took place in connection with this Lincoln Museum and Lincoln House and Lee House?

A. Well, sir, we had maintained and serviced an alarm at the Lincoln House and the Lincoln Museum and the Lee House for many years and we would receive a renewal contract every year and it was not an advertised price. If I remember correctly, it was for an automatic fire detection service into our central station and also into their office to reporting points, and suddenly one year we find out that someone else had bid the job and we found out that it was ADT and that it was advertized bids, so we knew what it was and they were just $5 below our cost, our bid.

[fols. 4971-4973] So we went down to see the officials, the purchasing agent, and we wondered if they knew what they were doing exactly because here it was a question of ownership of the equipment and we contended that we owned the equipment as in leased fire equipment, Pamphlet 72

Page 46

states that the equipment should be owned by an independently operated company. We pointed that out to them and they realized then that perhaps they didn't own it and therefore they just couldn't award it to someone else without further study.

* * * * * * *

[fol. 4974] Q. Prior to this meeting with Mr. Heisley and Mr. Brosman which you are speaking about, had it been your company's

Page 83

practice to stay away from ADT's subscribers?

A. I would say my business was sales and I was after sales. It always occurred to me that I could always go to somebody else's accounts and try to take them away but I never did. I just went after new business because they weren't going after mine.

Page 87

Q. Has your firm ever entered into a contract with a subscriber where the monthly service charges, where no

installation was charged and where a monthly service was at a certain rate for the first 12 months and then reduced to a lower rate for the following years?

A. Yes. Yes, I have.

Q. Do you consider that to be an amortization of the installation charge?

A. As I recall, I never recall an amortization of any- [fol. 4975] thing. It was something I had to do because that is what I had to do to get the job and in almost every case, my feeling is that I had to get my cost of the material and labor out of every job, friend or foe. That's the way I had to do it. Otherwise, it was something I had to do

to keep in business, to keep doing business. It was a question of writing a contract or giving it away to my competitor.

Q. If I show you a contract, a photostatic copy of a contract in the name of Federal Engineering Corporation, could you identify it as being a contract that was used by your firm?

A. Yes, this is our contract.

Q. What is the date on that contract, sir?

A. August '53.

Q. August twenty——

A. —fifth.

Q. Of 1953?

A. 1953.

Q. Is that your signature on the bottom of the contract on behalf of the Federal Engineering Corporation?

A. It is.

Q. What type of protection is that contract for, sir? [fol. 4976] A. That is Underwriters Laboratory Grade A No. 3, central station alarm system, protecting all accessible openings.

Q. And what are the terms, payment terms of the contract, sir? Is there an installation charge indicated?

A. No installation indicated.

Q. I see.

Who was the subscriber?

A. W. Bell and Company.

Q. And what is the monthly or annual service charges that are indicated on the contract?

A. $26.50 per month for one year.

Q. And?

A. And $12.50 per month thereafter.

Q. For how long?

A. For a period of three years.

That is the total period of three years; is that correct? Two years at $12.50 per month and one year at $26.50 a month?

A. I would say that is what it was; yes.

Q. Did the differential of $14 a month for the first year cover the installation charge that normally would have been made?

A. At that time Mr. Bell discussed this with me, if I [fol. 4977] remember, this was a job that he told me was recommended, that he have an Underwriters approved system and that his insurance man told him that there were two companies installing the service and Mr. Bell suggested that if I were to do business with him, I would have to give him a contract where there would

Page 90

be absolutely no installation charge and I told him if that is what I had to do, that is what I would do and I took this in competition with another company offering the same type of installation.

Q. Do you consider this to be a situation of no installation charge? Your contract as it stands there?

A. This contract as it stands—I don't think I understand your question. You mean—it says "no," so therefore it means no installation charge.

Q. What about the twelve times fourteen dollars a month for the first year differential on the rates, do you consider that $168 to be your installation, your firm's installation charge?

A. I would say "yes".

Mr. Williams: May I have that contract marked Defendant's Exhibit B for identification, please.

* * * * * * *

[fol. 4978] By Mr. Williams:

Q. Mr. Venners, you testified a few moments ago about a meeting or a telephone call that you had either with or from Mr. Heisley with relation to Pascal Liquor Distributors. Was that a meeting or a telephone conversation?

A. To the best that I can recall, Mr. Williams, it was that it was a telephone conversation.

Q. And who called who?

A. Mr. Heisley called me—no, in the case of Pascal if I recall correctly, it wasn't a question of arranging a price, you see. There was no price. I never gave him a proposal, so he never had to call me. It was a question of—well, I mentioned to Mr. Heisley at the time that I couldn't understand why they were giving away a job for nothing because Mr. Pascal told me that his job cost him nothing.

[fols. 4979-4981] Q. Oh, you were suspicious of Mr. Pascal?

A. I wasn't suspicious of anyone.

Q. Of the statements that he made?

A. I was just annoyed that Mr. Pascal wanted me to do business with him but couldn't because he had a contract that ADT wouldn't let him out of. It was primarily the contract and the location of a new location, because you see the arrangement was with Mr. Heisley that if they moved from one location to another that we could both bid on it but it wasn't

so because so long as ADT had a contract which tied them for two more years, I couldn't bid. So it seemed like a oneway street.

* * * * * * *

[fols. 4982-4983] Q. Is every type of equipment available on the open market that you choose to use for central station service?

A. Just about every type; yes.

[fol. 4984] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 361

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff

vs.

GRINNELL CORPORATION; AMERICAN DISTRICT TELEGRAPH COMPANY; HOLMES ELECTRIC PROTECTIVE COMPANY; and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, Defendants.

Deposition of IRA E. WARLICK, Reliance Protective, Inc., Suite 329, Court Arcade Building, Tulsa, Oklahoma.

Page 2

Direct Interrogatories Listed by Numbers:

1. State your name and address:

A. Ira E. Warlick, Tulsa, Oklahoma.

2. Are you connected with any business venture engaged in the furnishing of central station electric protection service?

A. Yes, sir.

3. If so, state the name and principal office of such business venture, which hereafter will be called your firm.

A. Reliance Protective, Incorporated, Suite 329 Court Arcade Building, Tulsa, Oklahoma.

4. State whether your firm is a corporation, partnership or other form of business venture.

A. It is a corporation.

5. State the position which you occupy in your firm and describe all of your duties in such position.

[fol. 4985] A. I am President and Manager. My duties are executive, sales solicitation and general supervision.

6. How long has your firm been in the central station electric protective business?

Page 3

A. Thirty-two years.

7. Does your firm provide any of the following types of central station electric protective services:

(a) Central station burglar alarm service and holdup alarm service?

A. Yes, sir.

(b) Central station nightwatchman supervisory service and manual fire alarm service?

A. Yes, sir.

(c) Central station automatic fire alarm service?

A. Yes, sir.

(d) Central station sprinkler supervisory and water flow alarm service?

A. Yes, sir.

8. Has your company been approved by any of the following insurance organizations having jurisdiction over any of the various types of central station electric protection service?

(a) Underwriter's Laboratories, Inc.

A. Yes.

(b) Factory Insurance Association.

A. I know some of my clients are approved by Factory. I don't know whether our office is. I just would have to [fol. 4986] say "possibly" on that one. I believe I am.

(c) Factory Mutual Association.

A. And the same way with Factory Mutual, because I have

clients that are getting rates from them in my opinion. But I have no formal approval with them.

(d) Any State Rating and Inspection Bureau.

A. Yes.

9. If the answer to Interrogatory 8 is yes, give the date of each such approval.

(a) Underwriter's Laboratories was in September of 1959. I believe that's right.
(b) Well, I don't know how long that has been because that is not formal. I believe they are approving my clients.
(c) The same way with the one.
(d) Now that was about '54—and I can't exactly say; may be it was '54 or '55—well, approximately '54 or '55.

10. State the number of central station protection service subscribers and the annual dollar volumes of service charges your firm had as of the end of the company's business year, in each of the following categories for each year from January 1, 1957 to January 1, 1962:

(a) Nightwatchman Supervisory Service and Manual Fire Alarm.
(b) Burglar Alarms and Holdup Alarms.
(c) Automatic Fire Alarms.
(d) Sprinkler Supervisory and Water Flow Alarm.

A. 1957:

[fol. 4987]

(a) Eight subscribers; revenue, $5,802.00.
(b) Subscribers, 142; revenue, $64,321.50.
(c) Subscribers, nine; revenue, $2,160.00.
(d) Subscribers, seven; revenue, $2,700.00.

A. 1958:

(a) Subscribers, six; revenue, $4,977.00.
(b) Subscribers, 158; revenue, $70,401.80.
(c) Subscribers, 10; revenue, $2,160.00.
(d) Subscribers, eight; revenue, $3,300.00.

A. 1959:

(a) Subscribers, four, revenue, $3,333.50.
(b) Subscribers, 174; revenue, $74,323.30.
(c) Subscribers, 11; revenue, $2,220.00.
(d) Subscribers, 10; revenue, $4,260.00.

A. 1960:

(a) Subscribers, four; revenue, $4,814,50.
(b) Subscribers, 184; revenue, $89,900.00.
(c) Subscribers, 12; revenue, $2,460.00.
(d) Subscribers, 11; revenue, $5,640.00.

A. 1961:

(a) Subscribers, three; revenue, $4,467.00.
(b) Subscribers, 206; revenue, $99,543.00.
(c) Subscribers, 13; revenue, $3,060.00.
(d) Subscribers, 13; revenue, $6,540.00.

Page 6

11. Does your firm retain title to the central station protection systems installed on the subscribers' premises?

A. Yes.

[fol. 4988] 12. State the names and addresses of the business firms from which your company purchases devices and equipment used in your central station electric protection business.

A. Well, I can give you the principal ones. I couldn't give you all of them. A. W. Fruh Company, Chicago, Illinois. Ademco Company, Brooklyn, New York. Potter Electric Company, St. Louis, Missouri. Rego Wire Company, Hoboken, New *York*. That is ninety percent of our suppliers. We buy most of our local pick-up stuff from Radio Incorporated, Tulsa, Oklahoma; that is some wire and some gadgets of different kinds—just little stuff that doesn't amount to a great deal. And that would include ninety percent of all that we buy, all together, everywhere.

13. State the dollar amount expended for the purchase of devices and equipment by your firm, each year from January 1, 1960 to January 1, 1962, which was used in the firm's central station electric protection operation.

A. 1960, $13,414.61; and, 1961, $13,353.87.

14. State the names and addresses of all individuals, partnerships or corporations which have engaged in any discussion with

Page 7

any person in your firm relating in any way to the purchase or acquisition of your firm from April 13, 1951 to date.

(a) If such discussions have been held;

(1) State the date of the discussions;

(2) the names of the individuals participating in the discussions;

(3) and the substance of what transpired during the discussions.

[fol 4989] Page 7

A. Well, actually, Jim Flotron, President of Potter Electric Company—and I can't be specific about these dates. It seems to me in the early '50's he asked me if I wanted to sell out; and I told him, no. And he told me any time I did, to let him know.

Now, as my memory serves me, in last '56 or early '57 I was approached by a Mr. Smith, whose card identified him as being Executive Vice President of A.D.T. Company of New York City, New York. Well, he was accompanied by another person—he was accompanied by a Mr. Simpson, an area manager. I won't say "district", because he is an area manager for the A.D.T. Company either from New Orleans, or Houston, and I can't remember which. I think they both still hold their positions.

For two days I was called on the 'phone for a luncheon engagement, explaining that they were making a survey of Tulsa and would like to have lunch with me. On the second call I told them that I would meet them the next day at the

Page 8

Mayo Hotel here in Tulsa.

The substance of the conversation at the luncheon was that they had made a survey; and that the businesses in Tulsa whom they served in other cities in the United States were insisting that they come in here, and that they won-

dered if I wouldn't like to sell out to them in lieu of their having to come in here and open up a business.

[fol. 4990] My answer, substantially, was that this was only a repetition of many such approaches that I had had the previous twenty years, and that they ought to get a new line of approach—that it was getting stale, or words to that effect. I told them that I had no desire to sell, and that I had told their representatives the same thing on previous occasions over the years, and that I was tired of being threatened by innuendoes that they were coming in and opening up their business and asking me to sell out to them. I suggested that the thing for them to do was just come on in, and quit coming around and telling me they were going to come in.

Then I sort of hit them back. After that I said, "I am not dumb enough to think that you people cannot break me; but it will take an initial investment of $10,000 and ten years without much profit, to do so, in my estimation. And if you think that is good business why move in, and we will sweat it out."

Page 9

They immediately began to soften their tone, and practically reverted their position of intent to come in because of the very situation that I had recited; that actually their policy had changed, and that they didn't just go in roughshod any more in these new places where business was already established. And from then on for some two hours they proceeded on a psychological series of arguments upon why I should sell to them, such as my age—I was getting old, and that I might have cancer or I might [fol. 4991] develop TB, or anything like that could happen, and, why should I worry?

They offered to keep me on as president. They offered to pay me any way I chose in the matter of payments to avoid such a bite on taxes, and so forth—in fact they offered every conceivable reason why I should sell to them. And, at the end of a two-hour discussion along these lines, one of them turned to the other and said, "Well, he has got all the answers." I remember that pointedly.

I consummated the arguments with the statement, "Gentlemen, the answer is still 'no'; and don't come back

any more with any more threats. I am getting damned tired of them." Then their parting remark by Mr. Smith was the question, "Mr. Warlick, will you promise me that if you ever do decide to sell, will you give us first chance at it? If you do, you wire us, and we will be down on the next plane." And my answer to this was, "You people would only offer

Page 10

me half as much as I could get from other prospective buyers." And they took issue with me and sort of dared me to give them a try. And I said, "Gentlemen, well, to get rid of you I will promise to call you or wire you if I ever desire to sell."

Some three months after the previous experience another vice president called at my office at about 7:30 A.M., when only my operators were on the switchboard and no managerial officers were on duty, and asked for me and identified himself as a vice-president of A.D.T. Company. He wanted to know what time I would arrive; and the operator told him, any time up to 8:30 or 9 o'clock—he didn't know. [fol. 4992] And he asked if he may come in and wait for me. And the operator said, yes, he could come in and wait for me—which action violated all of the instructions that this employe had; but he explained his dereliction of duty as being overcome by the august presence of a large, 250-pound man, a vice-president of A.D.T., and he thought it would be all right. But, thirty minutes later my manager came in, and realized that the operator had made an error in permitting this man or anyone else to enter, so he immediately asked him down to breakfast downstairs in a cafe. And they went down and during that conversation the manager was approached as to the possibility of his liking to work for A.D.T. if they bought the concern. And he was rather brain-washed as to what he could expect in a big way if he wanted to stay on with them provided they were able to buy.

I arrived about 9:30 A.M.; and they were still talking in

Page 11

the cafe. And when I was apprised by the office that they were downstairs, I immediately went down and joined them. This gentleman asked me over to the hotel, with

the ruse that he had a lot of new gadgets that they were coming out with, and asked if I would like to see them. And I told him, "Yes, I wouldn't mind seeing them." And that if I would accompany him to his room—which I did—he would show me the new literature on these various gadgets. When we reached his room in the Mayo Hotel, about all he had to offer was a drink out of his fifth of whisky, which I declined. He said then that he had mislaid [fol. 4993] the brochure of his new gadgets and so forth, but he would proceed to tell me about them. Which he did. And he said he was just casually passing through Tulsa from the west coast where he had been for some three months purchasing new companies and telling me what fabulous prices they were paying for these new companies, which I was not interested in, of course. He advised me that A.D.T. had changed their policies in regards to independent operators such as I was; that good, reliable business men in the industry would receive better cooperation from them than heretofore; that he would send me a sample of these new gadgets he had been expounding to me for my approval and purchase.

Page 12

My retort to this suggestion was, "Either you or I have been misled because you know as well as I do that A.D.T. wouldn't even sell me one item, let alone send me an item for approval." He remarked, "Oh, yes." He said, "I am going right into the home office from here and I will send you these. We have changed our plan of operation; and I want to assist you in your business, and help you get all of the latest devices, as we manufacture all of our own devices that we use." Which I knew beforehand. He continued on with this phase of trying to convince me and I told him I would believe it when I saw them arrive. This conversation ended with my being puzzled as to his real purpose for contacting me. My opinion was that his purpose in coming to my office was only for the [fols. 4994-4995] purpose of getting inside and seeing the extent of my operations. At any rate, I never received any word, or gadgets, thereafter.

C 1. Does your firm provide protection against losses by:

a. fire
b. burglary
c. malfunction of machinery
d. negligence of personnel
e. other hazards, and if so specify such other hazards.

Page 13

A. a. Yes.
b. Yes.
c. Yes.
d. Indirectly, yes.
e. Yes, such as hold-up alarms.

C 2. Describe the manner in which your firm provides protection, including a description of each type of protective service and each type of protective system furnished.

A. Well, as to:

a. Thermostat alarms and sprinkler supervisory.
b. Burglary: Central office, closed circuit burglary alarms.
c. Malfunction of machinery would be, position of valves being turned on, temperature controls, and air-pressure supervision.
d. Yes, under certain extenuating circumstances.
e. I have covered the principal field of our operations.

• • • • • • •

[fol. 4996] C 7. State whether your firm furnishes (1) local burglar alarm service; (2) local fire alarm service (in which an audible alarm is sounded on the protected premises).

A. The answer to (1) is, yes; and to (2) we have no local fire alarm service.

C 8. State

a. Whether your firm sells alarm systems.
b. Whether your firm installs alarm systems.
c. Whether your firm services alarm systems.

Page 15

d. Whether your firm contracts with customers to install alarm equipment and provide protective services.

e. Your firm's customary contract period and provide sample copies of each form of such contract.

f. Whether title to equipment and devices installed on subscriber's premises is retained by your firm.

g. Whether upon termination of a contract for protection services, your firm removes from the subscriber's premises the installed equipment.

h. Whether your contracts for protective service provide for automatic renewal upon expiration of the original term.

A. a. Yes, sir.

b. Yes, sir.

c. Yes, sir.

d. Yes, sir.

e. Only one-year contracts renewable at the end of each year up to five years. A form of our contract is attached hereto.

[fol. 4997] f. Yes.

g. Yes.

h. Under certain conditions.

* * * * * * *

[fol. 4998] C 15. State whether the following complete with the type or types of protection furnished by your firm:

a. Central station electric protection service accredited by insurance inspection and rating organizations.

b. Central station electric protection service not accredited by insurance inspection and rating organizations.

Page 18

c. Direct connected alarm service.

d. Local fire alarm service.

[fol. 4999] e. Local burglar alarm service.

f. Local alarm systems monitored by central stations.

g. Telephone answering alarm service.

h. Auxiliary fire alarm service.

i. Proprietary alarm systems.

j. Watchman, patrols and guards.

k. Watchman's portable clocks.

l. Insurance.

A. a. Yes.
b. Yes.
c. Yes.
d. Yes.
e. Yes.
f. Yes.
g. Yes.
h. Yes.
i. Yes.
j. Yes.
k. Yes.
l. Yes.

C 16. State whether, during the past five years, the number of your firm's competitors has

a. Increased.

Page 19

b. Decreased.
A. a. Yes.
b. See answer to "a" above.

Page 19

C 17. What is your best estimate of the percentage of [fol. 5000] the total protective service business your firm has in its area of operations.

A. I would say I have fifty percent of it.

C 18. What is your best estimate of the percentage of total sales of alarm systems made by your firm in the area of its operations?

A. I have no idea.

C 19. In your opinion, have the percentages stated in your last two answers changed in the past five years. If so, describe such changes.

A. Yes; and I will explain it. One competitor has put on a concerted effort outside of the environs of Tulsa.

C 20. Has your company been approved by any of the following

Page 20

insurance organization having jurisdiction over any of the

various types of electric protection services furnished by your company?

(a) Underwriter's Laboratories, Inc.
(b) Factory Insurance Association
(c) Factory Mutual Association
(d) Your State or Regional Fire Insurance Rating and Inspection Bureau

A. (a) Yes.
(b) Not formally.
(c) Not formally.
(d) Yes.

C 21. If the answer to question 20 is "Yes", give the date of each approval for each class of service.

[fol. 5001] (a) Underwriter's Laboratories, Inc., 1959.
(d) Oklahoma Inspection Bureau in 1954 or 1955.

C 22. How long has your company been furnishing each of the types of electric protective services other than central station electric protection service?

A. Thirty-two years.

C 23. State (1) the number of subscribers and (2) the dollar volume of annual service charges and installation charges received by your company, for each type of electric protection service furnished by your company for each year from 1957 to 1961 inclusive.

A. Refer to Direct Interrogatory 10 which answers this interrogatory with the exception of installation, which is as follows:

(Year)	(NW&FA)	(BA)	(AFA)	(SS&WF)
1957	none	9,750.20	117.00	185.00
1958	none	11,028.36	122.50	547.50
1959	none	9,864.85	97.50	1,872.95
1960	none	10,344.90	180.00	955.00
1961	none	10,879.42	245.00	789.50

Page 21

C 24. Describe the geographical area in which your firm furnishes each type of electric protection service described in the answers to the previous questions.

A. Generally in the radius of 100 miles of Tulsa.

C 25. Within the geographical area just described state

the name of each company which furnishes any type of [fols. 5002-5003] protective service in competition with the various types of protective services furnished by your company, and state the type of protective service that is furnished by each such competing company.

A. To my certain knowledge there are operating in my trade territory A.D.T. Company, Bays Detective Agency, and others of very little significance.

C 26. State with respect to each of the four classifications of central station subscribers listed in plaintiff's question number 10, the number of such subscribers as of January 1, 1962 whose alarm installations were certificated or approved by any insurance inspection or rating organization having jurisdiction over that type of alarm system.

A. NW&RA, none. BA, 10. AFA, none. SS&WF, 13.

C 27. How much revenue in annual service charges does your central station need in order to break even each year?

A. To maintain the alarms that I am now operating would require $120,000 a year.

C 28. How long did it take from the time your company first opened its central station until its central station operations

Page 22

reached the break-even point?

A. Twenty years.

[fol. 5004] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 362

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, AMERICAN DISTRICT TELEGRAPH COMPANY, HOLMES ELECTRIC PROTECTIVE COMPANY, and AUTOMATIC FIRE ALARM COMPANY OF DELAWARE, ET AL., Defendants

Deposition of MORRIS F. WEINSTOCK, Morse Signal Devices of California, 211 South La Brea Street, Los Angeles 36, California.

* * * * * * *

[fol. 5005] MORRIS F. WEINSTOCK, having been first duly sworn, deposed and testified as follows:

Direct examination

By Mr. Fritz:

Q. Would you state your address, please, Mr. Weinstock.
A. Home address?
Q. Yes.
A. 4111 Valley Meadow Road, Encino, California.
Q. Are you connected with the Morse Signal Devices of California, Incorporated?
A. Yes.

Page 4

Q. What is your connection with that company?
A. I am president.
Q. Are you also an official of the Morse Signal Devices, Inc., of Cleveland, Ohio?

A. Yes.

Q. Are both of these companies operated and controlled by the same interests?

A. Yes.

[fol. 5006] Q. What is the nature of the business of Morse Signal Devices of California, Incorporated?

A. Installing and maintaining alarm systems.

Q. I am sorry, I can't hear you.

A. Installing and maintaining alarm systems.

Q. Would you describe a little more fully what you refer to in your last answer as "installing alarm systems."

A. Well, installing burglar alarms and fire alarms and hold-up alarm systems, and then we maintain them on a service basis.

Q. When was this business established, Mr. Weinstock?

A. We date back in Cleveland to 1928. We bought out a company prior to our establishment. We established our business in 1934. The company dates back to 19—that we purchased—approximately 1945 or '46.

Q. What was the name of the company that you purchased?

A. Signal Devices and Alarm.

Page 5

Q. That was a Cleveland company?

A. A Cleveland company.

Q. What is the date of the beginning of the business of your California company here in Los Angeles?

A. The California company started here in 1948, October, 1948.

[fol. 5007] Q. Did that company start business from the ground up, or did it start by the acquisition or the purchase of some pre-existing company?

A. Acquisition and purchase of a pre-existing company.

Q. What was the name of that company?

A. It was Southern Cal. Alarm Company.

Q. The last question, I think, was: What was the name of the company here in California which your California company acquired when it began business in 1948.

A. Southern Cal. Alarm Company.

Q. What was the nature of the Southern California Alarm Company's business?

A. They maintained and installed alarm systems, as we do.

Q. Was that an old company, a company that had been in business for a good many years?

A. A few years. We didn't trace back as to the—how long they had been in business.

Q. You are not entirely clear how long it had been in business?

Page 6

A. No.

Q. Now, in 1948, when you came to California, I take it that when I say that, that is the equivalent of saying when you came to Los Angeles to do business, is that right?

[fol. 5008] A. We came to do business at the time. We didn't move out here at the time. We came out here later, in 1950, but our business started in 1948.

Q. When your business started in 1948 did it start under the name of Morse Signal Devices?

A. Yes.

Q. At that time were there other companies engaged in similar businesses here in Los Angeles?

A. Yes.

Q. Was the American District Telegraph Company in business in Los Angeles at that time?

A. Yes.

Q. Were there other companies also?

A. Yes.

Q. A number of them, I take it, is that correct?

A. Yes.

Q. Now, are the number of types of protective service that your company furnishes today the same as they were when the company began business in 1948?

A. No; we have others. We have added other services to that since 1948.

Page 7

Q. I notice that the title of your company indicates that it is a corporation.

[fol. 5009] A. Yes.

Q. Did it start out as a corporation?

A. It started as a partnership.

Q. When did it become incorporated? Approximately; I don't mean exactly. Five years, ten years?

A. Oh, approximately four years later. 1952, approximately. I don't want you to hold me to that. It is just approximately.

Q. That is all I am asking. Now, would you describe for me, please, and for the record, the different types of service, protective service, that your company now furnishes.

A. Burglar alarm, hold-up alarm, fire, temperature control, sprinkler supervisory.

Q. Now, when you say burglary protective service, does that relate to both central station and local?

A. Yes.

Q. The difference being, of course, that in the case of local, the installation is made on the customer's premises and in case of disturbance of the device the alarm sounds locally, on the premises, isn't that right?

A. Right.

Q. That is why it is called a local?

A. That is right.

[fol. 5010] Page 8

Q. The other type relates to the transmittal of a signal from the subscriber's premises over the telephone wires to a central station, is that right?

A. That is right.

Q. And that is called central station burglar alarm service?

A. That is right.

Q. You presently furnish both types of services, is that right?

A. Yes.

Now, has that been the case since you started in business, since 1948?

A. No. We started originally in the local bell-type system only.

Q. For how many years, approximately, did that continue?

A. Again I don't want to be pinned down to a time.

Q. No. I just use the word "approximately."

A. Approximately for five years, five or six years.

Q. So that you have been in the central station burglar

alarm protective service business for approximately seven or eight years?

A. No, about six or seven years.

[fol. 5011] Q. Six or seven?

A. Yes.

Q. Now, when you say "fire protective service," Mr.

Page 9

Weinstock, just what type of fire protective service is that?

A. Central office automatic fire alarms, or the sprinkler supervisory systems.

Q. Do I understand that those automatic fire alarms and the sprinkler supervisory devices in both cases where there is fire or evidences of fire, either from heat, smoke, or other indications of fire, cause a signal to be transmitted to the central station?

A. Yes.

Q. When that is done, then what happens at the central station?

A. Well, we call the fire department.

Q. Do you furnish a type of fire protective service known as auxiliary?

A. No.

Q. Are you familiar with that?

A. I am. I don't think we furnish that.

Q. You mentioned also in your recitation of the types of services furnished a temperature control. Do you furnish [fol. 5012] other types of industrial process control such as water level?

A. Yes, waterflow, water level.

Q. Waterflow, water level, pressures of various types?

A. Yes.

Page 10

Q. Liquid levels in tanks, and things of that sort?

A. Yes.

Q. The last group of services that I was referring to are usually characterized in general, are they not, as industrial process protective service?

A. Yes.

Q. That again, I take it, is a type of central station service, is that correct?

A. That type of service we have very little of, but that is a central station service.

Q. Then, the sprinkler supervisory service consists of what as it furnished by your company?

A. If a sprinkler happens to go on we get a response into our office, and then we call the fire department.

Q. In other words, you have actuating devices that are attached to the sprinkler system?

A. That is correct.

[fol. 5013] Q. And in the event of the operation of the sprinkler, it causes a signal to be registered in your central office?

A. That is correct.

Q. You regard that as a fire alarm, so to speak, and you then notify the fire department, is that correct?

A. That is right.

Q. Do you furnish a type of service known as watchman tour service?

Page 11

A. We don't have any in this vicinity, in Los Angeles, at all.

Q. That is, your company has none, is that what you mean?

A. That is right.

Q. Is there some furnished by other companies, to your knowledge?

A. A.D.T. Company has it but we don't have anyone else that might furnish it.

Q. Does your company have any local alarms of your own, or of any other companies, that are monitored by your central station?

A. Local alarms?

Q. Yes. Local alarms that are tied in to your central station?

[fol. 5014] A. Yes.

Q. In some places that is called a combination service.

A. Yes.

Q. I don't know what you call it here.

A. We have that.

Q. That is a type of service in which the basic installation is a local alarm device, isn't that right?

A. That is so.

Q. And it operates just as in the case of a local alarm which is not connected with the central station, I

Page 12

mean, it gives a signal on the premises?

A. Yes.

Q. But in addition to that there is also a signal recorded at the same time——

A. Right.

Q. —in the central office

A. Right.

Q. So that there is a double check, so to speak?

A. Yes.

Q. You have some of that service?

A. Yes.

Q. Is that a new development in the field of protective service?

A. No, we have had it quite a while.

[fol. 5015] Q. A number of years?

A. Yes.

Q. How about the type of service known as direct-connected service; do you know what I refer to when I use that term?

A. Yes.

Q. That is a direct connection from a subscriber's premises into the municipal fire or police department.

A. Yes.

Q. Do you have that?

A. Very few. About two, I'd say offhand. Approximately, I'd say two.

Page 13

Q. Is there some of that type of service rendered in the City of Los Angeles?

A. I imagine so.

Q. By various companies?

A. I imagine so. I don't know of any furnishing it outside of A.D.T.

Q. Does A.D.T. furnish a direct-connected service in the City of Los Angeles?

A. I was told that, yes.

Q. How about watchman and patrol service; do you furnish any of that?

[fol. 5016] A. None at all.

Q. Are there companies which furnish that kind of protective service in Los Angeles, to your knowledge?

A. There are companies, yes.

Q. All of these different types of services that I have just mentioned, whether you furnish them or whether they are furnished by others, all have as their ultimate object the protection of life or property, or both, isn't that correct?

A. Yes.

Q. Why is it, Mr. Weinstock, that you furnish both central station and local burglar protective service?

A. Well, central station affords better protection than the local, bell type, where just the bell rings on the outside.

Q. But why do you furnish local service also?

A. Some because it is cheaper, and people can't afford to pay more. They have to have some protection. They would rather have that than nothing at all.

Q. You have customers who want local service and some who want the central station service?

A. Well, they prefer central station service if they can afford it. Some places can't afford that type of service, [fol. 5017] so they have a local alarm. Those that can afford a better service pay a little more and get a central station service.

Q. What type of establishments in general are there which have protective service? I mean by categories, general categories.

A. There is no category. Almost any business can have an alarm system.

Q. Would it be correct to say that you have industrial plants consisting of factories?

A. Yes.

Q. Do you have large stores?

A. Yes.

Q. Do you have a great many retail stores of a large variety, such as jewelers, liquor stores——

A. Yes.

Q. —other types of retail stores?

A. Yes.

Page 15

Q. Is it true that, say, with respect to the retail stores, such as jewelers and liquor stores, that some of them have local and some have central station?

A. Yes.

Q. Is that true also of liquor store owners?

A. Yes.

Q. It is true, is it not, with respect to a great many of the various categories of stores and plants which use protective service, isn't that true?

A. Yes.

Q. Some have local, some have central station?

A. Yes.

Q. Now, in connection with the service which your company renders, protective service, do you have written contract forms?

A. Yes.

* * * * * * *

[fol. 5019] Q. Now, this contract, I note, is true also of Defendants' Exhibit 1. The contract relating to local burglar alarm services provides that all of the equipment installed shall remain the sole property of the company.

A. Yes.

Q. You are familiar with that provision?

[fol. 5020] Page 17

A. Yes.

Q. How long has that provision been in your company's contracts, to your knowledge?

A. As far as I can remember, as far as—when we started the company.

Q. Do you have any usual, fixed term of service that is inserted in these contracts?

A. What do you mean by "fixed term"?

Q. Period of duration of the contract.

A. Of duration?

Q. Yes.

A. That is right, yes.

Q. What is it?

A. Five years.

Q. With respect to both?
A. Yes.
Q. How long has that been the practice of your company?
A. I'd say that goes back to the beginning, since we started.
Q. Mr. Weinstock, is all of the service which you render approved by an underwriting or rating bureau?
A. No.
Q. Is any of it?
[fol. 5021] A. Some of it.
Q. Would you be good enough to tell me which isn't

Page 18

and which is
A. Just certain portions of it. Not every service requires an underwriter's label because of the insurance discounts, and that service is usually cheaper than the Underwriters' Laboratories service.
Q. When you mention service that isn't approved, does that refer to one of the types of services that is set forth in the form of contract that you have given me here?
A. Well, the type of service—the Underwriters' Laboratories could be local or central station.
Q. That relates to burglary protective service, does it not?
A. Yes.
Q. Now, is your burglar protective service, both central station and local, approved by Underwriters' Laboratories?
A. Yes.
Q. All of it, is that right?
A. We are approved to operate a central station, approved central station. We are approved to operate local [fol. 5022] bell alarm systems. It doesn't necessarily mean that we install all U.L.-approved systems.
Q. In other words, while you are approved you do install systems and sell service that does not entitle the subscriber to an insurance discount from the premium that

Page 19

He would normally pay, is that right?
A. As far as the Underwriters' Laboratories are concerned, yes.
Q. Yes.

A. He may still get a premium reduction from his insurance company. We have nothing to do with that.

Q. You don't know about that?

A. That is right.

Q. So far as you know, though, it is not sold as service, from your point of view, that entitles a subscriber to a premium discount, isn't that right?

A. That is right.

Q. Now, if I may use the word unapproved, so you will know what I am talking about, what part of your burglar protective service would you say, percentagewise, is of the unapproved variety?

A. Are you speaking of the central office, or the local?

Q. Well, first give me the local.

[fol. 5023] A. The local. Local we have approximately one per cent approved.

Q. And central station?

A. Approximately 18 per cent.

Q. Approved?

A. Yes.

Q. What you gave me was approved?

Page 20

A. Yes.

* * * * * * *

Q. Now, the other central station services that your company furnishes are in general the fire protective services and the industrial process protection, isn't that right?

[fol. 5024] A. Yes.

Q. Is either of those services approved in their entirety or not?

A. The fire alarm services.

Q. Yes.

A. Most of ours are approved.

Q. But not all?

A. I'd say 99 per cent of them are approved,

Page 21

approximately, I'd say.

* * * * * * *

[fol. 5025] Q. When was it that your company received Underwriters' Laboratories approval for the first time, Mr. Weinstock?

A. For local alarms, or central station?

[fol. 5026] Q. Well, both.

A. Well, local we had—since we started in Los Angeles, in 1948 or '49, approximately that time, and central station about five years ago.

Q. With respect to your various types of fire alarm protective services?

A. Fire alarm services would also be as far back as central station.

Q. Five years? Roughly five years ago?

A. Five, six years.

Q. Is that when you first started to render that kind of service?

A. Approximately. We started about seven years ago

Page 26

but we didn't get our approval until two years later, or so.

* * * * * * *

Q. How many employees do you have, Mr. Weinstock?

Page 27

A. All told about 40, 45, or thereabouts.

Q. How does that compare with the number that you had [fol. 5027] when you started, when you took over the Southern California Alarm Company in 1948?

A. We only had two then.

Q. Has the number of employees gradually increased year by year?

A. Yes.

Q. During the last five years, on an annual basis, approximately how many new employees have you taken on?

A. During the past five years?

Q. Yes.

A. I think our increase came during the past five years, the greatest increase.

Q. In the past five years?

A. Yes.

Q. Well, taking 1955, taking that date, what would you say the increase had been?

A. Numberwise?

Q. What?

A. Numberwise?

Q. Numberwise, yes.

A. Oh, we probably increased from about 15 employees to about 45 in the past five years. That is approximately.

Q. Was that due to expansion of your business?

[fol. 5028] A. Of the central station business, yes.

* * * * * * *

Q. Now, is your protective service—talking now about all kinds—restricted to any particular area in the City?

A. No.

[fol. 5029] Q. Do you have service in the farthermost points of the City?

A. Yes, sir.

Page 29

Q. What kind?

A. Local bell-type of central office service.

Q. What would you say was the approximate radius of Your central station operation, that is, distancewise?

A. We have a few out in—oh, in a radius of about 35 miles.

Q. What type of service is that?

A. Mostly local, a few central office, and that would be burglary.

Q. That would be burglary?

A. Yes, and fire.

Q. Is the central station burglary at that distance of the approved variety or not?

A. No, it is not.

Q. That is the unapproved variety?

A. That is right.

Q. Essentially that is because of the element of distance involved, is that right?

A. That is right.

Q. What was that distance? Thirty-five miles?

A. Approximately 35 miles.

[fols. 5030-5031] Q. It seems like a long ways. Does that

also apply with respect to other types of central station services that you mentioned, the types of automatic fire alarms?

A. No, these are strictly unapproved.

Q. What?

Page 30

A. These are strictly an unapproved type of service.

Q. What is the radius of operation of your central station protective services with relation to automatic fire alarms, including sprinkler supervisory and waterflow?

A. Now, I would say 15 miles or so.

• • • • • • •

[fol. 5032] Q. I take it you have not had any difficulty in procuring the equipment that you needed over the years, either central station or equipment for subscribers' premises?

[fols. 5033-5035] Yes, we did.

• • • • • • •

[fol. 5036] Q. Do you have a standard price list or a fixed schedule or a schedule of fixed prices for either installation or service charges with respect to each of the type of protective services that you furnish?

A. They are not fixed. They are approximate.

Q. What elements do you take into consideration when you quote a price to a subscriber for some——

A. I mentioned before: Distance and time required in installation, and——

Q. We were talking, then, only about how you arrive at the installation charge. Now I have included the question of whether or not you have any fixed price for both installation and service charge.

[fol. 5037] Page 41

A. Are you separating that?

Q. Let me withdraw that question. In addition to an installation charge you have a recurring and, I presume, monthly service charge, do you not?

A. Yes.

Q. In connection with the installation charge you have told us that you fix that in the particular case according to the labor involved and the cost of the non-recoverable material, right?

A. That is right.

Q. So that is not a fixed charge; that depends upon the circumstances, is that correct?

A. That is right.

Q. Now with respect to the service charge, how do you arrive at that?

A. Again the distance from the office, the time it would take to service the account, line charges of the telephone company, and the number of units that are protected.

Q. Now, is there anything fixed or rigid with any one of those elements? Or do they, too, differ with the circumstances?

A. They differ only with the things I mentioned.

Q. The distance?

[fol. 5038] A. The distance.

Q. The nature of the premises?

A. Yes.

Page 42

Q. The requirements of the customer in those premises for protection?

A. Yes.

Q. Is the service charge the same or different in all cases for a given type of service? Take central station burglar protection service.

A. If you mean that one place in the same location or next door to it, and the same type of business, the same type of—number of openings, it would be the same, yes.

Q. In other words, every time you have a customer's premises where the circumstances are identical with those in another subscriber's premises in all respects, then your price will be the same?

A. Most likely?

Q. Approximately?

A. Approximately.

Q. I mean, it is apt to be the same, right?

A. Yes.

Q. But where the circumstances differ either by virtue of

[fol. 5039] the distance involved or the nature of the premises, number of openings, type of protection needed, the price will differ, is that right?

A. Yes.

Q. So it is fair to say, Mr. Weinstock, that your prices both for installation and service are patterned and

Page 43

dictated by the particular circumstances of the subscriber's location and his needs?

A. Plus competition, of course.

Q. Plus competition?

A. Yes.

Q. What effect does competition have on your prices?

A. A great deal.

Q. Suppose you explain that to me.

A. It is very simple. If we have to compete in some cases we have to pull in our horns and give it to them for less, if we have to, and go below standard in order to get some place. Otherwise we wouldn't get any business at all.

Q. That is true, I take it, of all the people engaged in this business and most other businesses, right?

A. I imagine so.

[fol. 5040] Q. I am not asking you how much when I ask this question; I am just asking you this general question: Have your prices increased or decreased during the past ten years?

A. In the same categories?

Q. Yes, in the different categories of protective service.

A. Oh, they haven't increased a great deal. They are about the same.

Q. Haven't your labor and material costs gone up?

Page 44

A. A little, yes but we have gained experience, and because of the volume of business that we do, we can afford to give the service for about the same rate.

Q. Percentagewise, what would you say the amount of increase in your service charges has been, or are now, as compared with ten years ago?

A. Well, we weren't in the central office business ten years ago.

Q. At the time you started, some six or seven years ago?
A. Oh, there might be five or ten per cent increase.
Q. And installation charge the same way?
A. Yes.

[fol. 5041] Q. Gaited and geared, I take it, essentially to the question of the cost of labor and material, is that right?

A. That is right.

Q. Now, I gathered from what you have told me with respect to the increase in your number of employees that the business has increased both from the standpoint of number of customers served and gross revenue since you started here?

A. Well, number of customers served, naturally,
Q. What?
A. Number of customers served.
Q. And gross revenue also?

Page 45

A. Well, they both follow.

Q. Now, would you be good enough to state, Mr. Weinstock, what the total number of your subscribers has been year by year from 1955 to the present time.

* * * * * * *

[fol. 5042] The Witness: We do not have records relating to this subject prior to 1959, and I do not have with me the annual customer figures for 1959 and to date, which we do have, but if the stenographer will leave a blank at this point I will insert those figures for the years 1959, 1960 and [fol. 5043] up to date when I sign the deposition.

1959—2644 accts., 1960—2853 accts., 1961—3225 accts.

Mr. Fritz:

Q. Would you be good enough to state, Mr. Weinstock, the total annual revenue of your company for each of the years 1955 to 1960, inclusive, and for the balance of this year as far as it is determinable, derived from the furnishing of all types of protective service by your company for that period of time.

A. Will you treat that the same way as before?

Mr. Gold: Why don't you just answer that question and then he will just leave a blank space for it.

The Witness: All right, yes, I will furnish those figures.

Mr. Fritz: And then leave a blank there.

Page 47

1955? 1956? 1957—$315,884.73, 1958—$377,757.79, 1959—$438,638,07, 1961—$393,288.48 (8 mo. period)

Page 48

A. Yes.

Q. Will you also be good enough to state the number of subscribers or customers for each of those years, 1955 to date for each of the protective services?

A. Again, I only go back to 1959 or—'59, '60 and '61.

Q. Because you have no records prior to 1959?

A. No.

Q. But you will furnish that data for the years 1959, [fols. 5044-5045] 1960, and far as you can into 1961, is that correct?

Page 49

A. Yes. 1959—433 C.O. & 2311 locals. 1960—548 C.O. & 2305 locals. 1961—(11 mos.) 686 C.O. & 2539 locals.

Mr. Fritz:

Q. Has your annual net profit after taxes increased year by year since you started business in 1948?

A. Yes.

Page 53

A. No. I mean, we just kept going and kept investing and kept increasing it.

Q. In connection with your protective service that you furnish here in Los Angeles, do you encounter competition from persons or companies which furnish local alarm service and central station service and burglary, fire, sprinkler systems supervisory and other types of protective service?

A. Yes.

* * * * * * *

[fol. 5046] Q. How about American Fire Dispatch, Inc.; is that a central station company?

A. Central station company, yes.

Q. Also local?

A. Also local.

Q. Do you meet them in competition too?

Page 58

A. Yes.

Q. Automatic Alarms, Limited?

A. I don't even know of them.

Q. Would you take this exhibit—perhaps it might save time—Defendants' Exhibit 3, being these pages from the classified directory, and just look at it, beginning from where I left off here. You might start with the top of Page 367 and tell how many of those companies you know about, and the nature of their service, and whether or not you meet them in competition.

A. Which ones I know of?

Q. Yes.

A. As I mentioned, Central, Circle Burglar Alarm, Coast Burglar Alarm——

Q. Tell us, as you go along, what they are and whether or not you come in contact with them as a competitor in your business.

A. These I mentioned so far are local alarm companies [fol. 5047] only. They might have some answering service but primarily they are local alarm companies.

Q. Do you come in contact with them as competitors?

A. Yes. Merchants Fire Dispatch, that is also a local alarm company, and they have guard service, too, I believe. Protection Engineering.

Q. What business are they in?

A. They are in the central office business primarily, and also in guard protection, plant protection.

Page 59

Q. By the use of guards and watchman, do you mean?

A. Yes.

Q. On a supervised basis?

A. No. It is a separate business that—general plant protection. It is strictly a plant protection business.

Q. They recently acquired, did they not, some groups of guard and watchmen and patrol firms?

A. No, they have been in it for a long time.

Q. Have they?

A. Yes. As a matter of fact, that was their primary business, was plant protection, and they went into central office.

Q. And they are still in it to some extent?

A. Yes, to a great extent.

[fol. 5048] Q. To a great extent?

A. Yes.

Q. Is that the bulk of their business?

A. That is the bulk of their business. Southeast Burglar Alarm Company is also a local. U. S. Burglar Alarm Company is a local, primarily, and now they have gone into the central office business, too, not on an approved basis, just——

Q. Unapproved?

A. Unapproved. West Coast Burglar Alarm is also a local alarm company. And they have some answering service

Page 60

alarms. Regan Burglar Alarm is strictly local alarm. Kings Burglar Alarm is in the Long Beach area. They are not in our area at all.

Q. Because of their location, I take it, you don't meet them in competition, is that right?

A. Not very much.

Q. To some extent? To some extent, I say?

A. Very seldom.

Sylvester Burglar Alarm is also a strictly local alarm. City Alarm is another local burglar alarm company. Kidde Electronic only furnishes equipment. Mason is another local.

Q. Does Kidde have an agent here, or do they have a branch of their company here?

[fol. 5049] A. They just have an agent.

Q. And they sell the devices that are made by the Walter Kidde Company, is that correct?

A. Yes, that is right.

Q. To anybody who happens to want to install them?

A. That is right.

Q. Whether it be a protective service business or anybody else, right?

A. I don't know of any that have been sold to anyone but in the protective service business. I don't know.

Q. All right.

A. They might. And that's about it. They are all

Page 61

accounted for here.

Q. The one I didn't mention was my client, American District Telegraph Company.

A. We don't even talk about them.

Q. Well, they are in business here and they were here here when you came, right?

A. Right.

Q. And you meet them in competition, too, do you not?

A. Yes.

Q. Now, as far as you know, have all of these companies whose names you have looked at and mentioned from this [fol. 5050] classified directory, have they been in business a number of years here in Los Angeles?

A. Yes.

Q. Are there any new entrants into this field of protective service that you know of of recent date?

A. How recent?

Q. Well, in the last three or four years?

A. I am trying to think and I can't think of anyone in the last three or four years.

Q. Well, did you have in mind some period of time in which there were entrants whose names are not listed here?

A. Yes.

Q. Who?

Page 62

A. There is Aaron Alarm Company.

Q. What.

A. Aaron Alarm Company.

Q. Aaron?

A. Yes.

Q. How do you spell that?

A. A-a-r-o-n.

Q. What kind of business are they in?

A. Local Burglar Alarm

Q. How long have they been in business.

[fol. 5051] A. I don't know. I think they go back to three or four—maybe four or five years.

Q. Are they still in business?

A. Yes. And then there is Signal Alarm Company. That is probably back four or five years also. That is the only two I know of that are recent.

Q. Is that in the local alarm field only?

A. All local.

Q. Only burglar alarm?

A. Yes.

Q. Is that company still in business, too?

A. Yes.

Q. Do you have any opinion, Mr. Weinstock, based upon your experience, as to whether the bulk of protection service in the City of Los Angeles is of the approved variety or the unapproved?

Page 63

A. I would say the bulk of it is the unapproved.

Q. Unapproved?

Q. As far as we are concerned.

Q. Well, I mean you and all other companies together.

A. All except one. A.D.T. I wouldn't know anything about. The others, I think the bulk of it is unapproved.

Q. Now, having in mind the types of protective service, that is, whether it is burglar, fire, industrial process, what [fol. 5052] is the source of competition so far as your company is concerned. Do you find competition in the field of both local and central burglar?

A. Yes.

Q. In the field of sprinkler supervisory and waterflow?

A. Yes.

Q. In the field of industrial process?

A. Yes.

Q. Has that competition increased over the years, or decreased?

A. It has increased over the years. More companies have gone into it.

Q. By "over the years" you are referring now, I take it, to the period of time that you have been in the central

station business, which would be the last six or seven years, you tell us?

Page 66

Q. Would you have any knowledge of the contracts which you have obtained in bidding against A.D.T., for example, over the years?

A. Knowledge of some.

Q. Yes.

A. I have some with me.

Q. Do you have them with you?

[fol. 5053] A. Yes.

Q. By name?

A. Yes.

Q. Could you give them to me, please.

Page 67

Mr. Gold: Can you repeat the initial question.

The Reporter:

"Q. Would you have any knowledge of the contracts which you have obtained in bidding against A.D.T., for example, over the years?"

Mr. Fritz:

Q. Can you tell us what the number is first, and the period of time covered, Mr. Weinstock?

A. I have an example here of six. Of the six we got three and lost three.

Q. When was that?

A. They go over the years. I might say in the past five years.

Q. Does that represent the total that you have a record of?

A. That is only the record. I mean, we just happened to get those from memory. We went over the records. But we don't keep it as a rule.

Q. Did you get those up for the purpose of this examination in case you were asked about it?

A. In case we were asked about it.

Q. Had you been previously asked by anybody for that [fol. 5054] kind of information?

A. Yes.

Q. Were you asked for it by the Federal Bureau of Investigation, or by any representative of the Department of Justice?

A. Not exactly what the numbers were or who they were——

Page 68

Q. But the circumstances?

A. But if we had some.

Q. What?

A. If we had any of those.

Q. If you had any?

A. Yes

Q. Did you tell them you had six?

A. No. I told them we had some.

Q. Did you give them the details that you are about to give me now?

A. I did not.

Q. Now would you go ahead and give me the details.

A. One company we had, the Ero Manufacturing Company.

Q. Aero?

A. Yes.

Q. Is that A-e-r-o?

[fol. 5055] A. E-r-o, on Alameda Street.

Q. When was that?

A. That goes back, I believe, to 1955.

Q. What were the circumstances there? First, what was the nature of the service involved?

A. Burglar and fire alarm. We only bid on the burglar alarm portion of it. A.D.T. had the fire alarm installed. Is it the other way around? I am sorry.

Page 69

Scratch that. It is the other way around. We bid on the fire alarm and they had the burglar alarm installed. We bid on the alarm and A.D.T. had already given a bid. Ours was lower and A.D.T. came back and lowered the bid under our bid to try to get the job. Ero Manufacturing called us and told us about that, and they told us also that we can have the contract because they don't like to do business with a company that goes back on their bid.

Q. So that you put in a bid which was lower than A.D.T.'s is that right?

A. Yes.

Q. And you got the contract?

A. Yes.

Q. Do you still have it?

A. Yes.

Q. What is the next one?

[fol. 5056] A. I mean, we have it now, and got the bid at a higher price than the second bid of A.D.T.'s

Q. I understand. My question was: Were you successful in getting the contract, and your answer was, "Yes"?

A. Yes.

Q. And you still have the contract, right?

A. Yes.

Q. What is the next?

A. General Plastics

Page 70

Q. What type of service, and what year?

A. That, I believe, was burglary.

Mr. Weiss: No, fire.

The Witness: Fire alarm. And they had bid very low. No installation.

Mr. Fritz:

Q. By "they" you mean A.D.T.?

A. A.D.T.

Q. When was this?

A. This was 1958.

Q. And what happened?

A. We had to meet that bid—no, we didn't. I am sorry. We got the contract at a higher price.

Q. At a higher price than what?

A. Than A.D.T.'s bid.

Q. In other words, you got the contract at the bid that [fol. 5057] you submitted?

A. Yes.

Q. That is also true in the prior case with the Ero Company, is that right?

A. Yes. Exactly as submitted.

Page 73

A. Bond's Stores. We bid on the job. After obtaining permission to bid on it through an agent in New York that made contact with a Bond store in their main office, New York office, our salesman was called—that there wouldn't be any use of bidding, there is no

Page 74

chance of us getting into it because A.D.T. is in solid.

Q. Was that the opening of a new store?

A. Yes.

Q. Here in Los Angeles?

A. Yes.

Q. Did you ever submit a bid?

A. Yes.

Q. I beg your pardon?

A. Yes.

Q. What type of service?

A. Central Station service.

Q. What type?

[fol. 5058] A. Burglar alarm, I believe.

Q. What?

A. I think it was burglar alarm.

Q. And you didn't get the contract?

A. No, we didn't.

Q. Do you have another one?

A. Well, this one goes back to March, 1960.

Q. Which one?

A. This Bond store.

Q. All right. Do you have another item?

Page 78

Q. Mr. Weinstock, does the City of Los Angeles allow any alarm to be connected to the police or fire department?

A. No.

Q. Is it your understanding that that is the type of service that is referred to as direct-connected service?

A. Yes.

Q. Do any of the small municipalities surrounding the city of Los Angeles here allow direct-connected service?

A. Yes.

Q. You mentioned that you had a few direct

Page 79

connected. Where would they be located?

A. Outside of Los Angeles.

[fol. 5059] Q. Is that prohibition against connecting alarms to the City fire and police departments a matter of City regulation?

A. Yes.

* * * * * * *

[fol. 5060] Q. Did you engage prior to the time you got approval from the Fire Rating Bureau in any central station fire protection service?

A. No.

Q. Why didn't you?

A. You have to have—in order to put in a fire alarm service, people expect to get a reduction in their rates, and we couldn't give them that protection with the type of service we had. Therefore, we couldn't sell any. We couldn't compete.

Q. Because the people didn't want any unapproved service, is that correct?

A. Because they couldn't get a reduction, they didn't want it.

Q. You mentioned during your direct examination that you had some difficulty getting delivery on certain protection devices that you needed in your central station protection service?

[fols. 5061-5063] A. Yes.

Q. Did you ever attempt to buy any protection

Page 81

devices from the American District Telegraph Company?

A. No.

Q. Was there any reason for that?

A. Well, we were told that—by some people in the industry—I can't recollect who—that the equipment is not available to anyone outside of A.D.T., so we didn't even try.

* * * * * * *

[fols. 5064-5065] Q. You mentioned, Mr. Weinstock, that you had a few alarms connected to a telephone answering service, is that correct?

A. A few, yes, very few.

Q. Where are those subscribers located with relation to your central station?

A. They are out of Los Angeles.

Q. Approximately what distance away from your central station?

A. Fifteen, twenty miles.

Q. Would it be possible for you to connect these accounts to your central station and furnish approved service on these accounts?

A. No.

* * * * * * *

[fol. 5066] Q. Mr. Weinstock, I think you stated that you started business here in Los Angeles in the local alarm business?

A. Yes.

Q. Why did you decide to go into the central station protection business?

A. Many of our accounts wanted central station service, better protection, so we went into that.

Q. When you first entered the central station protection business did any of your former local alarm subscribers switch

to central station protection service with your company?

A. Yes.

Q. Could you tell us approximately how many or what percentage?

A. Oh, I'd say about 25 per cent of our local accounts have finally switched over to central station.

Mr. Fritz: Excuse me. Is that the total up to now?

The Witness: Approximately.

Mr. Story: Since you have been furnishing central station protection service how many of your central station protection subscribers have discontinued that service and asked you to furnish local alarm service?

A. A few.

[fol. 5067] Q. How many?

A. Maybe half a dozen.

Q. And that is during what period, sir?

A. In the past five years or so.

* * * * * * *

Q. And you mentioned one of the larger companies here that has been in the watchman control business for many years?

Page 106

A. Yes. That is the General Plant Protection.

Q. Yes.

A. It is a separate company owned possibly by the same people.

Q. And they furnish a substantial amount of watchman service to plants, do they not?

A. Plant protection, yes.

Q. And have done so for years in this year?

A. Yes.

Q. And still continue to do so?

[fols. 5068-5069] A. Yes.

Q. And in theory at least, if they weren't furnishing watchman service to those plants, those plants would be potential customers for any other company in the protective service field, isn't that right?

A. As a matter of fact, I believe that is the reason we went into the protective field, because of the loss of customers to other companies.

Q. But to the extent that they now furnish watchmen, they are using potential customer service which might otherwise be available to companies like yourself on a central station basis, isn't that right?

A. Possibly.

Q. Well, it is so, isn't it?

A. Yes.

* * * * * * *

[fol. 5070] Q. Now, you say you have a few subscribers located at a considerable distance that are connected to telephone answering service organizations, is that right?

A. I would like to check that with our sales manager. I don't know—I mentioned just a few. There might be none or maybe one. Do you know?

Mr. Weiss: I don't think we have any.

The Witness: I think we had some and they probably are out. We might have had one.

Mr. Weiss: We never had more than four or five at any one time, and I think all of those since we have had central station have come into central station.

[fol. 5071] The Witness: Yes.

Mr. Fritz:

Q. At the time you did have it how did it work?

A. If an alarm goes off it would work the same way as—into our central office, except it would be supervised by incompetent help, somebody that would be not trained for the central office service. Only they would be answering telephones and doing everything else besides watching the alarm service. And there would be such a turnover in help that they wouldn't be competent enough to take care of the service properly.

Page 117

Q. In other words, you had an alarm-receiving board in the telephone answering office, is that right?

A. Of a sort, of a light or buzzer, or something like that.

Q. What type of service were you selling the subscriber when you had that?

A. Just that, local alarm service, with a tie-in to the answering service. And we told them it was not supervised. It was just an answering service. It was a temporary measure until we had our central office.

Page 120

A. May I speak on another subject, I mean, along those lines?

Q. Yes.

[fol. 5072] The Witness: Mr. Story, I believe you asked me the question whether we were hindered in any way before we had our approval. I happened to think of one instance where we had a bid on a Broadway store that was

opening, and we couldn't furnish approved service, and we

Page 121

lost the job to A.D.T. at the time. It was just a matter of a few months that we were supposed to get our approval, and we couldn't furnish it.

Mr. Fritz:

Q. Did you mean the subscriber wouldn't wait?

A. That is right. They had to—they operated the store. They were opening the building and they had to have the service.

• • • • • • •

[fol. 5073] Mr. Story:

Q. You mentioned on this General Plastics' account that you obtained that subscriber, is that correct?

A. Yes.

Page 123

Q. And that is the account where A.D.T. offered to do the job with no installation charge?

[fol. 5074] A. That is right.

Q. And do you know on the basis of that any reasons why you were able to get the account?

A. I will give my salesman a plug here. I'd say he is a superior salesman.

• • • • • • •

Redirect examination

By Mr. Fritz:

Q. I take it that it is the fact, is it not, that all of these [fols. 5075-5076] instances that you have described here today, where you were in competition with A.D.T., and some you got the contract and some they got the contract, and you said there were many other instances which you could not recollect, in none of these cases have you been a personal participant, isn't that so?

A. That is so.

Q. And whatever information you may have on those things comes to you secondhand, from people working in your

Page 127

organization, is that right?

A. That is right.

Mr. Fritz: That is all. Thank you.

[fol. 5077] IN THE UNITED STATES DISTRICT COURT

GOVERNMENT EXHIBIT No. 363

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF RHODE ISLAND

Civil Action No. 2785

UNITED STATES OF AMERICA, Plaintiff,

vs.

GRINNELL CORPORATION, ET AL., Defendants.

Deposition of SAMUEL G. WIGHT, Central Alarm Company, Ltd., 1755 Kapiolani Blvd., Honolulu, Hawaii.

Page 2

Direct Interrogatory No. 1: State your name and address.

A. My name is Samuel G. Wight and my address, my place of business is 1755 Kapiolani Boulevard, Honolulu, Hawaii.

Direct Interrogatory No. 2: Are you connected with any business venture engaged in the furnishing of central station electric protection service?

A. Yes, I am.

Direct Interrogatory No. 3: If so, state the name and principal office of such business venture, which hereafter will be called your firm.

A. That company is Central Alarm Company, Limited,

of the above address 1755 Kapiloani Boulevard, Honolulu, Hawaii.

Direct Interrogatory No. 4. State whether your firm is a corporation, partnership or other form of business venture.

A. Our firm is a corporation.

Direct Interrogatory No. 5: State the position which you occupy in your firm and describe all of your duties in such position.

A. I am President of Central Alarm Company, Limited,

Page 3

and I am the active manager of all facets of the business.

Direct Interrogatory No. 6: How long has your firm been in the central station electric protective business?

A. I am not certain as to the total number of years, but our company formerly was known as Hawaiian Alarm Company. We purchased that company approximately six years ago, and the company has been operating for almost 15 years.

Direct Interrogatory No. 7: Does your firm provide any of the following types of central station electric protective services: (a) Central station burglar alarm service and holdup alarm service?

A. Yes, we do.

(b) Central station nightwatchman supervisory service and manual fire alarm service?

A. Yes, nightwatchmen supervisory service and manual fire alarm service.

[fol. 5079] (c) Central station automatic fire alarm service?

A. Yes, central station automatic fire alarm service.

(d) Central station sprinkler supervisory and water flow alarm service?

A. Yes, central station sprinkler supervisory and water flow alarm service.

Interrogatory No. 8: Has your company been approved by any of the following insurance organizations having jurisdiction over any of the various types of central station electric protection service? (a) Underwriter's Laboratories.

Page 4

Inc.

A. Yes.

(b) Factory Insurance Association?

A. No. We do not have any affiliation with Factory Insurance Association.

(c) Factory Mutual Association?

A. No, not any with Factory Mutual Association.

(d) Any State rating and Inspection Bureau?

A. Yes, with Hawaii Rating Bureau and all other State of Hawaii bureaus in this particular regulatory field.

Interrogatory No. 9: If the answer to interrogatory 8 is yes, gave the date of each such approval.

[fol. 5080] A. At the present moment I could not give you the date of approval but the Underwriter's Laboratories have been serving us for many years and the State Rating and Inspection Bureau also. I would have to go back to our records and ask our office manager to get those for me.

(a) July 3, 1956.

(b) —

(c) —

(d) Hawaii Fire Rating Bureau—July 3, 1956, Board of Private Detectives & Guards—October 18, 1961.

Interrogatory No. 10: State the number of central station protection service subscribers and the annual dollar volume of service charges your firm had as of the end of the company's business year, in each of the following categories for each year from January 1, 1957 to January 1, 1962:

Page 5

(a) Nightwatchman supervisory service and manual fire alarm.

A. I do not have the records here, but at the time that I sign this deposition I will fill in the exact number required by the question.

(a) 1957 (*19*) *$9,577.43* 1948 (*21*) *$9,997.60* 1959 (*20*) *$9,861.02* 1960 (*20*) *$11,351.30* 1961 (*23*) *$12,230.13* 1962

**Books kept on calendar year basis*

(b) Burglar Alarms and Holdup Alarms.

1957 *(96) $41,533.67* 1958 *(116) $57,415.12* 1959 *(137)* [fol. 5081] *$74,270.19* 1960 *(157) $99,280.32* 1961 *(176) $138,100.65* 1962 ——

(c) Automatic Fire Alarms.

1957 *(9) $7,546.80* 1958 *(13) $8,224.80* 1959 *(16) $9,464.80* 1960 *(16) $9,706.74* 1961 *(18) $12,284.69* 1962——

(d) Sprinkler Supervisory and Water Flow Alarm.

1957 *(18) $9,172.25* 1958 *(18) $10,810.80* 1959 *(20) $11,799.90* 1960 *(20) $13,688.43* 1961 *(21) $13,911.86* 1962——

Interrogatory No. 11: Does your firm retain title to the central station protection systems installed on the subscribers' premises?

A. Yes, we do retain ownership of all equipment that we install on the subscribers' premises.

Interrogatory No. 12: State the names and addresses of the business firms from which your company purchases devices and equipment used in your central station electric protection

Page 6

business.

A. We purchase equipment for our central station electric protection business from Potter of St. Louis, we also purchase from Kidde of New Jersey, we purchase from Ademco of New York, we purchase from Warner from a suburb outside of Chicago, and we purchase from many other companies but on a much smaller scale.

• • • • • • •

[fol. 5082] Interrogatory No. 14: State the names and addresses of all individuals, partnerships or corporations which have engaged in any discussion with any person in your firm relating in any way to the purchase or acquisition of your firm from April 13, 1951 to date.

(a) If such discussions have been held:

(1) State the date of discussions.

Page 7

A. I do not have that information with me at the present time, but I will provide it when the deposition is signed.

(1) Date of discussions *Actual date unknown—February, 1963*

(2) Names of individuals participating in the discussions. *Name unknown—Vice President of Western Sales Division of A.D.T.*

[fol. 5083] (3) and the substance of what transpired during the discussions.

A. During the discussions the general nature of the discussion was the thought of our over-all general gross, the fact that we operate the Muzak franchise here as well as the central station operation and that the person asking me had just purchased, I believe in Canada, a small central station operation that also had Muzak franchise. And we also were asked if we would be interested in selling, and my reaction to that was that we would be willing to sell most any company that we have if the price was proper. I was told that it would be possible that he would get in touch with me at a later date. The gentleman was from A.D.T. and I believe the Western Sales Manager for that company. The general approach, however, was one of a social nature but he did take notes as to our discussion.

Page 8

Cross Interrogatory No. 1: Does your firm provide protection against losses by: (a) Fire?

A. I do not understand the full nature of the question when it says does your firm provide protection against losses by fire. Does that imply insurance or is that merely confined to the relaying of a signal? If it is confined to the relaying of a signal to the fire department, that is the extent of our protection provide-.

(b) Burglary.

[fol. 5084] The same applies to burglary. In some isolated cases we do have insurance coverage for certain safes that we own and provide the customer with a safe

insurance. We are also a general insurance agent as well as central station burglar protection.

(c) Malfunction of machinery.

A. Our contracts intend that a malfunctioning of the machinery is not our liability to the extent that we state in our contracts that $50 will be an all-inclusive payment for any losses along these lines.

(d) Negligence of personnel.

A. The same applies as in (c), except, of course, we do have insurance covering any breakage by our personnel when on or in the premises of our customers.

(e) Other hazards and if so specify such other hazards.

Page 9

A. We protect ourselves in our contracts against a failure of telephone line transmissions or any other factors that are not a standard part of our day to day operating procedure.

Cross-Interrogatory No. 2: Describe the manner in which your firm provides protection, including a description of each type of protective service and each type of protective system furnished.

A. Each type of service that we have, which of course in- [fol. 5085] clude the water flows, the valve tampers, the pit valves and the services of spot fire installations, is confined to relaying a signal that we receive at our central office to the fire department. In the case of burglary protection we again relay the information of the exact location of our account to the police department upon receiving a signal from a designated area. The case of the watchman punchclock activity, the non-punching of a particular station at a given time is responded to by sending our guards and the police to that location.

Cross-Interrogatory No. 3: State whether your firm furnishes direct-connected or remote station alarm service, i.e., alarm services in which the subscriber's premises are connected by leased lines directly to local police or fire departments. If so designate each hazard (i.e., burglary, fire, etc.) against which such service is provided.

Page 10

A. Our company is exclusively based upon the operation of all signals being received at our central station and in turn relayed to the police or fire department.

Cross-Interrogatory No. 4: State whether your firm furnishes protective service by use of telephone answering service. If so, designate each hazard against which such service is provided.

A. We are in no way connected with service of the an-
[fol. 5086] swering service. Ours is strictly a standard central station operation.

Cross-Interrogatory No. 5: State whether your firm furnishes auxiliary alarm services, i.e. manual or automatic alarm devices directly connected to municipal alarm systems.

A. We do not. Our services are exclusive with the central station operation.

Cross-Interrogatory No. 6: State whether your firm furnishes proprietary alarm systems, i.e. an alarm system which transmits signals to a central point within the protected premises, and which is owned or operated by a customer or its employees. If so, designate each hazard against which such service is provided.

A. We do not have any such proprietary alarm systems. All of our signals go directly to our central station.

Cross-Interrogatory No. 7: State whether your firm furnishes (1) local burglar alarm service.

Page 11

A. We do not furnish any such service.

(2) Local fire alarm service (in which an audible alarm is sounded on the protected premises).

A. In the case of firm alarm service the question is not inclusive of the fire alarm setup because in most instances, in all instances where we do have the signal recorded in our office, simultaneously the bells are ringing on the prem-
[fol. 5087] ises of the customers. So we do not have local fire alarm service in which an audible alarm is sounded on the protected premises alone. It returns also to our central station.

Cross-Interrogatory No. 8: State:

(a) Whether your firm sells alarm systems.

A. We do sell alarm systems, but in a very isolated occasions.

(b) Whether your firm installs alarm systems.

A. Yes. We install all of our alarm systems.

(c) Whether your firm services alarm systems.

A. Yes, we service alarm systems.

(d) Whether your firm contracts with customers to install alarm equipment and provide protective services.

A. Yes, but in isolated cases. When I say this I assume that question (d) means that we will have no further servicing or jurisdiction over the equipment once it is installed.

Page 12

(e) Your firm's customary contract period and provide sample copies of each form of such contract.

A. The customary period for our contracts is five years. I will provide a copy of these contracts.

(f) Whether title to equipment and devices installed on subscriber's premises is retained by your firm.

A. Title is retained by our firm for devices that are installed on subscriber's premises in 99 per cent of the cases.

[fols. 5088-5090] (g) Whether upon termination of a contract for protection service, your firm removes from the subscriber's premises the installed equipment.

A. Yes, we do. We remove the installed equipment and that is a provision of our original contract with the customer.

(h) Whether your contracts for protective service provide for automatic renewal upon expiration of the original term.

A. Our contract reads that the service will be continuous after the original five-year period, and it also provides that we have the opportunity to increase our rates after a one-year period.

Cross-Interrogatory No. 9: If your firm sells alarm systems state the approximate gross revenue or best estimate thereof derived by your firm in each of the past five years from sales of each type of alarm system. State the geographic area in which such sales are made.

Page 13

A. Our sales to the best of my knowledge have been confined to the State of Hawaii, and our selling price is list price as described by our supplies. The approximate gross revenue, I believe, is in the area of 20 per cent. Some runs 10 per cent, in some cases, higher than the 20 per cent, but I would have to check this to give you the exact gross revenue.

• • • • • • •

[fol. 5091] Cross-Interrogatory No. 15: State whether the following compete with the type or types of protection furnished by your firm.

(a) Central station electric protection service accredited by insurance inspection and rating organizations.

A. I do not believe that they compete with us. I think that they add to our service by giving substance to the basic electric protection service that we are offering.

(b) Central station electric protection service not accredited by insurance inspection and rating organizations.

A. We have no experience with this. Therefore, I cannot

Page 16

answer it the way it is asked. We are the only central station company in the State of Hawaii and I know there are many types of security services here, and all of them, of course, are competing with our type of protection.

(c) Direct connected alarm service.

[fol. 5092] A. That is a very minor factor and I believe that you are referring to the provisions made by the telephone people, which is a direct connect service.

(d) Local fire alarm service.

A. Yes, we do feel that this is a direct competition because supposedly they would come to the central station service if they were interested in firm alarm service. The local features, of course, eliminates the need for the central station service if the proprietor is of that mind.

(e) Local burglar alarm service.

A. Yes, definitely this is a competitive feature but again it is a matter of the wishes of the proprietor.

(f) Local alarm systems monitored by central stations.

A. Very definitely this is a competitive feature.

(g) Telephone answering alarm service.

A. Definitely it is in competition with central station operation.

(h) Auxiliary fire alarm service.

A. I believe that this can be classified as competition to our type of business.

Page 17

(i) Proprietary alarm systems.

A. Yes. But in some cases where there are wide areas of unclosed portions of property, the proprietary alarm systems, such as the waterfront docks and in large storage [fol. 5093] areas not under cover, the proprietary system is about the only system that can be used, and that, of course, calls for watchmen, patrols and guards.

(j) Watchman, patrols and guards.

A. Yes, definitely this is the competition to our type of service.

(k) Watchman's portable clocks.

A. I am not familiar with watchman's portable clocks, but if it means the watchman is carrying the clock and using it as a means to punch his stations, and this is common here, I would say this was a very definite competition to our type of business.

(l) Insurance.

A. Insurance in many, many cases in this State could be more inquiring about the reductions that are generally given throughout the other States. A lot of insurance companies pretty much ignore the benefits to the customers because, of course, it reduces the premiums and yet it also reduces the risks involved. I do feel that much should be done in this area.

Cross-Interrogatory No. 16: State whether, during the

Page 18

past five years, the number of your firm's competitors has (a) Increased.

A. Classifying (a) through (i) of the parts under 15 I [fol. 5094] would say definitely it has increased, but it has not increased in central station operation. It has increased in all other forms.

(b) Decreased.

A. No, sir, it has not decreased.

Cross-Interrogatory No. 17: What is your best estimate of the percentage of the total protective service business your firm has in its area of operations.

A. I would have no idea of this at all, but I would guess that we have 25 per cent of all types of protection in the area.

Cross-Interrogatory No. 18: What is your best estimate of the percentage of total sales of alarm systems made by your firm in the area of its operations.

A. Again I would have no figure for this, and I don't believe there would be any way of determining it on our part, but I would say that we must enjoy 25 per cent of all sales.

Cross-Interrogatory No. 19: In your opinion, have the percentages stated in your last two answers changed in the past five years. If so, describe such changes.

A. I believe that the percentages have maintained their position fairly well, but I do also know that the total money spent by

Page 19

all companies for all types of protection has increased tremendously in the last five years in the State of Hawaii.

Cross-Interrogatory No. 20: Has your company been ap- [fol. 5095] proved by any of the following insurance organizations having jurisdiction over any of the various types of electric protection services furnished by your company?

(a) Underwriter's Laboratories, Inc.

A. Yes.

(b) Factory Insurance Association.

A. No.

(c) Factory Mutual Association.

A. No.

(d) Your State or Regional Fire Insurance Rating and Inspection Bureau.

A. Yes.

Cross-Interrogatory No. 21: If the answer to question 20 is "Yes", give the date of each approval for each class of service.

A. I will have to get the information from our bookkeeper

or office manager and I will make that a part of the deposition when it is signed. (a) *July 3, 1956* (d) *Hawaii Fire Rating Bureau—July 3, 1956; Board of Private Detectives & Guards—October 18, 1961*

Page 20

Cross-Interrogatory No. 22: How long has your company been furnishing each of the types of electric protective services other than central station electric protective service. [fol. 5096] A. We don't furnish electric protective service other than central station electric protective service.

* * * * * * *

Cross-Interrogatory No. 24: Describe the geographical area in which your firm furnishes each type of electric protection service described in the answers to the previous questions.

A. We provide service to each of the islands comprising the Hawaiian State Maui Kauai, Hawaii and Oahu. The greater percentage of our business is confined to Oahu, but we do have central station service on all of the islands.

Page 21

However, on the outside islands the monitoring is done by the police directly at the police station in most instances. [fol. 5097] Cross-Interrogatory No. 25: Within the geographical area just described state the name of each company which furnishes any type of protective service in competition with the various types of protective services furnished by your company, and state the type of protective service that is furnished by each such competing company.

A. We will have to do a little research on this because I really do not have the answers the question calls for. I will provide it to the best of my knowledge when the deposition is signed.

1. AA Electric Co. Ltd.—Local burglar & fire alarms. 2. Electronics Sentinel, Inc.—Central Station burglar & fire alarms. 3. Honolulu Fire Protection Co.—Local alarms. 4. Honolulu Merchant Patrol & Alarm Co.—Local fire and burglar alarms. 5. Merchants Alarm Co.—Local burglar Y fire alarms.

Cross-Interrogatory No. 26: State with respect to each of

the four classifications of central station subscribers listed in plaintiff's question No. 10, the number of such subscribers as of January 1, 1962 whose alarm installations were certificated or approved by any insurance inspection or rating organization having jurisdiction over that type of alarm system.

Page 22

A. I will provide this information for question 26 when [fols. 5098-5099] the deposition is signed. *1. All fire alarms are rated by the Hawaii Fire Rating Bureau. 2. Twenty-one (21) burglar alarm subscribers are certified by the Underwriters' Laboratories, Inc.*

Cross-Interrogatory No. 27: How much revenue in annual service charges does your central station need in order to break even each year?

A. Approximately $17,000 at the present time.

Cross-Interrrogatory No. 28: How long did it take from the time your company first opened its central stations until its central station operations reached the break-even point?

A. Approximately seven years.

• • • • • • •

[fol. 5100] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT A

Schedule of Defendant Alarm Companies' Proposed Objections

Plaintiff's Exhibit	Objection
2	Irrelevant.
5	Immaterial.
7	Irrelevant and immaterial in part.
9-37, 39, 40, 42	Irrelevant, immaterial. (There is no showing the acquisitions were of central station protection companies within relevant market defined by Plaintiff.)
31	(Acquisition approved by plaintiff.)
33-36	(The agreements involve foreign persons and are not within the relevant market as defined by Plaintiff.)
41	Immaterial; not best evidence.
42	Irrelevant.
43, 44, 46, 47, 51, 55, 56	Immaterial; hearsay.
45	Irrelevant and immaterial in part.
48, 49, 60	Immaterial.
58, 59	Immaterial; hearsay.
69, 78, 79, 80 in part, 81, 89, 90, 93, 94, 98, 104, 110	Irrelevant.
70, 71, 73, 74, 77, 82, 83, 88, 91, 92, 97, 110-102, 105-109, 113, 117, 120, 121, 123-126	Immaterial.
85, 86, 119, 122	Incompetent in part. Incompetent; hearsay.
95, 99	Irrelevant; immaterial.
95	Irrelevant.

[fol. 5101]

Plaintiff's Exhibit	Objection
96	Immaterial.
103, 114	Immaterial, Attorney-Client Privilege.
115, 118	Immaterial; incompetent.
125	Immaterial; hearsay; incompetent.
130-135, 137, 138	Immaterial.
136	Irrelevant.
139	Immaterial.
140	Irrelevant; hearsay.
141, 142	Irrelevant.
144	Immaterial.
145, 146	Irrelevant.
147	Hearsay.
150-162, 164-166	Immaterial.
163	Irrelevant.
164	Immaterial.
167-174	Immaterial.
172	Immaterial.
175-203	Immaterial, incompetent. (These reports are an arbitrary biased and incomplete selection from a vast number of such reports, do not represent an accurate portrayal of the meaning of such reports (and consist of collections of unrelated documents which should be separately presented.))
204, 207, 210	Irrelevant.
205	Immaterial, hearsay.
206, 208, 209, 211	Immaterial.
208	Immaterial.

[fol. 5102]

209	Irrelevant.
212-214, 217-219, 220-222, 224-227	Immaterial.

Plaintiff's Exhibit	Objection
215, 216	Irrelevant.
218	Immaterial; irrelevant.
223	Immaterial; hearsay.
229-236	Immaterial.
237	Immaterial; hearsay.
238	Irrelevant.
239-242	Immaterial.
243	Irrelevant.
247	Hearsay; immaterial.
248, 249	Irrelevant.
250, 251	Immaterial.
252	Immaterial; hearsay.
253	Immaterial.
254, 255	Immaterial.
257, 258, 259, 261-264	Immaterial.
260	Hearsay; immaterial.
266, 287, 274, 275	Irrelevant.
268	Irrelevant; hearsay.
269	Irrelevant; immaterial.
276	Immaterial.
279, 280	Hearsay.
279	Irrelevant.
281	Hearsay in part.

[fol. 5103]

290	Hearsay; irrelevant.
292	Irrelevant.
293	Irrelevant.
294	Incompetent; irrelevant.
296, 297	Irrelevant; immaterial.
300	Irrelevant.
301	Irrelevant.
302	Irrelevant.
306	Hearsay.

[fol. 5104] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT B

Grinnell Objections

Grinnell objects to the following documents on the ground that they are not from, to or about Grinnell and are not admissible against Grinnell unless there is independent proof connecting Grinnell to the documents:

GX 7–53	GX 93	GX 110	GX 138–300
GX 55	GX 96–99	GX 113	GX 302–303
GX 59	GX 102–106	GX 129–132	GX 306–307
GX 61–79	GX 108	GX 135	

As to the following exhibits, listed above, the objection is reinforced by the fact that they are internal AFA, Holmes or ADT documents dated prior to Grinnell's acquisition:

GX 9–28	GX 75–76	GX 113	GX 237
GX 37–42	GX 78	GX 156	GX 296–297
GX 61–69	GX 79	GX 159	
GX 72	GX 98	GX 215	

Grinnell objects to the following Government documents as too remote in time to be relevant:

GX 82–83 (St. Louis, 1932–39)

Grinnell objects to the following Government documents as irrelevant and immaterial, since they deal with the defendants' dealings between themselves when they were all owned by Grinnell:

GX 84	GX 90–95	GX 99–112	GX 121

[fol. 5105] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E-1

Confidential

Minimum Basic Service Charges Effective 1-1-60

Class of Service	Advance	Annual	
	Per Unit*	First Unit* (See Note A)	Each Addl* (See Note A)
Automatic Fire Alarm			
Aero or Teletherm, including one gong and one annunciator		$325	$100
Each gong installed in excess of one		—	40
Each annunciator installed in excess of one		—	45
Smoke Detection, Space or Duct		300	27
Burglar Alarm (See Notes B & C)			
Premises—Mercantile and Bank, See Notes D & E			
Direct Wire		300	24
Circuit 250 Type		300	24
Circuit 425-830 Type		300	24
Photoelectric 1700 Type, Inside Use		300	24
Photoelectric 2201 Type, Inside Use		300	24
Safe			
Door contacts only (D.W. or circuit) See Note F		300	24
Door contacts, with other BA protection, See Note F		300	24
Cabinet for safe only (D.W. or circuit) See Note G		300	24
Telapproach, See Note F		300	24
Vault—Mercantile			
Door Contacts (D.W. or circuit) See Note F		300	24
Lining or stripping (D.W. or circuit)		300	24
Phonetalarm 1020 Type, See Notes F & H		300	24
Phonetalarm 1024 Type, See Notes F & H		300	24
Vault—Bank			
Door Contacts, See Note F		300	22
Lacing, each vault		770	385
Phonetalarm 1020 Type, each vault		770	385
Phonetalarm 1024 Type, each vault		770	385
Night Depository, each depository		285	120
Holdup Alarm		315	24
Intrusion Detection, See Note B		300	24
Industrial Process (Only) See Note I		285	40
Manual Fire Alarm (Only)		160	40
Recording & Sounding Devices			
Call Back or Registers, including one gong		125	125
Whistles and Sirens		310	310
Bells, Horns, etc., See Note J		40	40

	Advance	Annual	
	Per Unit*	First Unit* (See Note A)	Each Addl* (See Note A)
Sprinkler Supervisory & Waterflow or Waterflow Only			
(Includes MFA, L. A. gong or annunciator), See Note I		385	55
Watchman's Reporting & Manual Fire Alarm			
Watchman Security, See Note K		330	70
NW & FA, See Note K		290	58
MFA Box with NW & FA or WS		37	37
Compulsory Tour including MFA, See Note K		300	40
Emergency Call—with other protection		60	60
Local Alarm Services, See Note L		80% of C.S.	
Direct-Connected Services, See Note L		100% of C.S.	

*Except as otherwise indicated.

[fol. 5106] Notes—

A—No computation of excess wire rental is required in connection with any central station services to locations within a one mile radius of the central station, nor any central station McCulloh services beyond that radius. For central station direct wire services beyond the one mile radius, the Sales Representative shall compute the excess wire rental by halving the product of the approximate mileage and rate, deducting from such half the customary 10% of the ANSC as determined in accordance with this rate schedule and the excess shall be added to the annual service charge.

B—Only one first-unit charge is required for any combination, installed at one location, of burglar alarm, holdup alarm intrusion detection or industrial process supervision systems.

C—There shall be an annual service charge of $56 for each control set in excess of one.

D—For contacts only protection on premises doors, the annual service charge shall be based upon one-half the additional unit rate, and the advance service charge upon one-half the unit rate, shown in this schedule.

E—For burglar alarm protection on industrial, factory or manufacturing premises, the additional unit rate shall be increased $3.

F—Advance service charge per safe, vault or system, as the case may be.

G—The advance service charge shall be determined as follows: cost of first cabinet plus $180 and cost of cabinet plus $55 for each additional cabinet. When secondhand cabinet is used, charge one-half of cabinet replacement cost.

H—The maximum annual service charges for mercantile phonetalarm jobs shall be $825 for the first vault and $415 for each additional vault.

I—Only one first-unit charge is required for any combination, installed at one location, of industrial process supervision with any other service.

Room temperature, underground leakage and sump pump supervision used in supervision of a sprinkler system shall be classified as and included on the contract covering sprinkler supervisory & waterflow or waterflow only alarm service, and the annual and advance service charges for SS & WF and WFO shall be applied.

J—The annual service charge for each bell or horn in excess of four shall be $31.

K—Extra signaling charges:

Night watch and fire alarm and watchman security services.

Hourly day service,	add 50% of minimum basic annual service charge.
Half-hourly day service,	add 62% of minimum basic annual service charge.
Quarter-hourly day service,	add 75% of minimum basic annual service charge.

Half-hourly night service, add 25% of minimum basic annual service charge (this charge excludes WS as half-hourly night service provided in contract. Quarter-hourly night service, add 50% of minimum basic annual service charge.

For each extra weekday round, a charge of $3.00 per box, per round, per annum. This charge should be used *only* where a portion of the day or night is taken up in extra signals; otherwise, the above percentages of minimum basic charges apply as the case may be.

Compulsary tour and fire alarm service.

For each extra weekday round, a charge of $2.20 per box, per round, per annum. This charge should be used *only* where a portion of the day or night is taken up in extra signals; otherwise, the percentages of minimum basic charges (listed under Extra signaling charges, Night watch and fire alarm and watchman security services) apply, as the case may be.

Solicitation of local and direct-connected services shall be limited to areas within 60-mile radius of a central station city, except in those cities where solicitation beyond a 60-mile radius has been specifically approved. There shall be no advance service charge for headquarters receiving equipment required to be installed in connection with direct-connected or local alarm services.

General

A 10% reduction in ANSC, and ADSC may be allowed to religious, educational, charitable or fraternal organizations not operated for monetary profit and not supported by public taxation.

Where subscriber performs part of the installation, such as providing conduit, wiring, etc. Plant estimate may be obtained for balance of installation and employed as the advance service charge.

Wherever, in order to close a contract with a prospect having satisfactory credit rating, it becomes necessary to amortize the advance service charge 1% shall be added to the amount amortized, for each year of the contract term.

These minimum basic service charges are calculated to produce a modest return over that period of years which represents the average revenue-producing life of the installations rather than the primary contract term. Moreover, they are intended to apply only under ideal conditions and circumstances affecting the installation, operation and maintenance of service. The following conditions are among those in which the schedule of advance service charges will not apply; installations where corrosive atmospheric conditions exist; installations at distance remote from the central station, involving unusual travel time, travel expense and subsistence, and installations involving the use of labor furnished by outside electrical contractors. So many variables are encountered in the installation, operation and maintenance of our services that it is not practicable to establish a single charge that would apply in all cases with equal fairness. Accordingly, these minimum basic service charges must be modified to give proper weight to all unusual elements and conditions. Sales representatives will be expected to recognize every installation that is apt to present peculiarities involving abnormal installation operation and maintenance costs, to procure a Plant Department estimate of the cost to install in each such case, and to be guided accordingly —— quoting annual and advance service charges.

[fol. 5107] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT E-2

Confidential

Minimum Basic Advance Service Charges Effective 4-1-62

Class of Service	Per Unit*
Automatic Fire Alarm	
Aero or Teletherm, including one gong and one annunciator	$390
Smoke Detection, Space or Duct	100
Burglar Alarm	
Premises, See Note A	
Direct Wire	46
Circuit 250 Type	70
Circuit 425-830 Type	65
Photoelectric 1700 Type, inside use	55
Photoelectric 2201 Type, inside use	88
Safe	
Door contacts only (D.W. or circuit), Each Safe	150
Door contacts,with other BA protection, Each Safe	55
Cabinet for safe only (D.W. or circuit), See Note B	
Telapproach, Each System	480
Vault—Mercantile	
Door Contacts (D.W. or circuit), Each Vault	150
Lining or Stripping (D.W. or circuit)	Est.
Phonetalarm 1020 Type, Each Vault	430
Phonetalarm 1024 Type, Each Vault	820
Vault—Bank	
Door Contacts, Each Vault	150
Lacing, each vault	Est.
Phonetalarm 1020 Type, each vault	500
Phonetalarm 1024 Type, Each Vault	820
Night Depository, each depository	150
Holdup Alarm	55
Intrusion Detection	Est.
Industrial Process (Only) See Note C	80
Manual Fire Alarm (Only)	110
Recording & Sounding Devices	
Call Back or Registers, including one gong	Est.
Whistles and Sirens	Est.
Bells, Horns, etc.	Est.
Sprinkler Supervisory & Waterflow or Waterflow Only	
(Includes MFA, L.A., gong or annunciator), See Note C	150

Class of Service	Per Unit*
Watchman's Reporting & Manual Fire Alarm	
Watchman Security	110
NW & FA	110
MFA Box with NW & FA or WS	110
Compulsory Tour including MFA	40
Emergency Call—with other protection	110
Local Alarm Services, See Note D	
Direct Connected Services, See Note D	

* Except as otherwise indicated.

[fol. 5108] Notes

A—For contacts only protection on premises doors, the advance service charge shall be based upon one-half the unit cost shown in this schedule.

B—The advance service charge shall be determined as follows: Cost of first cabinet plus $180 and cost of cabinet plus $55. For each additional cabinet, when secondhand cabinet is used, charge one-half of cabinet replacement cost.

C—Room temperature, underground leakage and sump pump supervision used in supervision of a sprinkler system shall be classified as and included on the contract covering sprinkler supervisory & waterflow or waterflow only alarm service, and the advance service charge for SS & WF and WFO shall be applied.

D—For minimum basic advance service charge for local and direct-connected services see supplement No. 22 to commercial circular No. 197 dated March 27, 1961.

Solicitation of local and direct-connected services shall be limited to areas within a 60-mile radius of a central station city, except in those cities where solicitation beyond a 60-mile radiu has been specifically approved. There shall be no advance service charge for headquarters receiving equipment required to be installed in connection with direct-connected or local alarm services.

General:

A 10% reduction in ADSC may be allowed to religious, educational, charitable or fraternal organizations not operated for monetary profit and not supported by public taxation.

Where subscriber performs part of the installation, such as providing conduit, wiring, etc., service department estimate may be obtained for balance or installation and employed as the advance service charge.

Wherever, in order to close a contract with a prospect having satisfactory credit rating, it becomes necessary to amortize the advance service charge, 1% shall be added to the amount amortized, for each year of the contract term.

These minimum basic charges are calculated to produce a modest return over that period of years which represents the average revenue-producing life of the installations rather than the primary contract term. Moreover, they are intended to apply only under ideal conditions and circumstances affecting the installation and operation of service. The following conditions are among those in which the schedule of advance service charges will not apply: installations where corrosive atmospheric onditions exist. Installations at distances remote from the central station, involving unusual travel time, travel expense and subsistence, and installations involving the use of labor furnished by outside electrical contractors, so many variables are encountered in the installation of our services that it is not practicable to establish a single charge that would apply in all cases with equal fairness. Accordingly, these minimum basic charges must be modified to give proper weight to all unusual elements and conditions. Sales representatives will be expected to recognize every installation that is apt to present installation peculiarities involving abnormal costs, and to procure a service department estimate of the cost to install in each such case.

3251

In the United States District Court

Defendants' Exhibit F

FORM 701 (8-68)

COMPETITION AND/OR PRICE RESISTANCE REPORT

CHECK ONE: COMPETITION ☐ PRICE RESISTANCE ☐

SUBSCRIBER'S NAME

STREET ADDRESS

CITY AND STATE

REPORT NUMBER

BOOK CITY

TYPE OF SERVICE(S)

NUMBER OF UNITS

VOCATIONAL CODE NO.-DESCRIPTION

APPROXIMATE SALES PRODUCTION HOURS CONSUMED:

CONTRACT LOST ☐

CONTRACT SECURED ☐

LOCATION OF INSTALLATION:		TYPE OF COMPETITOR'S CONTRACT:		TYPE OF ADT CONTRACT:	
DOWNTOWN	☐	CENTRAL STATION	☐	NEW	☐
SUBURBAN	☐	DIRECT-CONNECTED	☐	SUPPLEMENTAL	☐
RURAL	☐	LOCAL ALARM	☐	RENEWAL	☐
INDUSTRIAL	☐	PROPRIETARY	☐	SUBSCRIBER UNDER ADT CONTRACT AT OTHER LOCATION? YES ☐ NO ☐	
COMMERCIAL	☐	TELEPHONE ANSWERING	☐		
INSTITUTIONAL	☐	UNKNOWN	☐		

SOURCE AND RELIABILITY OF INFORMATION

PERSON WITH WHOM ADT SALES REPRESENTATIVE DEALT:

DID HE NAME COMPETITOR(S)? YES ☐ NO ☐

WAS COMPETITIVE QUOTATION WRITTEN ☐ OR ORAL ☐

HAD HE DEALT WITH HIM BEFORE? YES ☐ NO ☐

IF WRITTEN, DID HE SHOW IT? YES ☐ NO ☐

HOW LONG HAS HE KNOWN HIM?

(ATTACH COPY IF PROCURABLE)

LIST NAME(S) OF COMPETITOR(S) GIVEN:

COMPARISON OF CHARGES

List hereunder ADT MINIMUM BASIC RATE and successive bids, if any, by ADT and competitor(s).

Number sequence of bidding and explain reason for successive bids in REMARKS section below.

	ADT MBR	ADT QUOTATION	COMPETITIVE QUOTATION	COMPETITIVE QUOTATION
ANNUAL SERVICE CHARGE				
ADVANCE SERVICE CHARGE				

REMARKS

Include hereunder any information not shown above, which bears on the negotiations and/or prices specified.

SALES REPRESENTATIVE DATE

DISTRICT SALES MANAGER DATE

3252

[fol. 5110]

IN THE UNITED STATES DISTRICT COURT
DEFENDANTS' EXHIBIT G

CONTRACT DATA

LOCATION OF SYSTEM

SUBSCRIBER'S NAME

STREET ADDRESS

CITY AND STATE

NAME & TITLE OF PERSON SIGNING CONTRACT

DATE:

BOOK CITY

ACCOUNTING CITY

INSTALLATION CITY

SERVICE

VOCATIONAL CODE REVIEW — DATE

PROPERTY VALUATION

BUILDINGS ONLY $
(FIRE ALARM SYSTEM ONLY)

CONTENTS ONLY $
(FIRE AND BURGLAR ALARM SYSTEM)

SPECIAL BILLING INSTRUCTIONS

NEW CONTRACT EFF. DATE:
- NEW INSTALLATION
- NEW TENANT
- SUPPLEMENTAL
- RENEWAL, SAME RATE
- RENEWAL, INCREASED RATE
- RENEWAL, ADDITIONAL SERVICE
- RENEWAL, LESS SERVICE

SERVICE
- CENTRAL STATION
- MODIFIED CEN. STATION
- DIRECT-CONNECTED
- LOCAL ONLY
- PHI/PROTECTIVE

EXEC. ACC'T. (INDICATE DISTRICT)
- NEW YORK

OLD CONTRACT
- AUDITOR'S NUMBER
- DATE OF CONTRACT
- TERM OF CONTRACT
- ANNUAL SERVICE CHARGE $
- DATE EFFECTIVE
- SERVICE WITH:

CREDIT REFERENCES

DUN AND BRADSTREET'S RATING

NUMBER OF CREDIT LETTERS ATTACHED

PRESENT SUBSCRIBER PAID TO

COMPUTATION OF MINIMUM BASIC SERVICE CHARGES

ANNUAL			ADVANCE		
NUMBER OF UNITS	PER UNIT	AMOUNT	NUMBER OF UNITS	PER UNIT	AMOUNT
SUB. TOTAL					
WIRE FACILITY COST $					
WIRE FACILITY COST EXCESS OF 10%			ESTIMATE (WHERE REQUIRED FOR ADVANCE SERVICE CHARGE)		
TOTAL MINIMUM BASIC CHARGE			TOTAL MINIMUM BASIC CHARGE		
TOTAL AMOUNT SECURED			TOTAL AMOUNT SECURED		
DIFFERENCE (EXPLAIN BELOW)			DIFFERENCE (EXPLAIN BELOW)		

REMARKS

ALSO ENTITLED TO COMMISSION CREDIT

SALES REPRESENTATIVE — DATE

REMARKS

EXECUTIVE OFFICE USE

DATE RECEIVED BY GENERAL SALES MANAGER

CONTRACT EXECUTED BY

DISTRICT SALES MANAGER — DATE

CONTRACT RECOMMENDED BY

DISTRICT SALES MANAGER — DATE

CONTRACT APPROVED BY

CONTRACT RECEIVED FROM EXECUTIVE OFFICE

DATE CONTRACT RELEASED

[fol. 5111] IN THE UNITED STATES DISTRICT COURT

DEFENDANTS' EXHIBIT H-1

Vocational Listing of Subscribers

This Exhibit (H-1) is a summary of the information contained in Exhibit H.

Exhibit H is a detailed listing of ADT subscribers, arranged by the type of business conducted, and within that grouping, by city. It shows whether the premises are protected by central station or local/direct connected service. Exhibit H in general shows only one entry in those instances where a subscriber has more than one location in the same city.

Exhibit H-1 summarizes this information by showing, for each vocational listing, the number which ADT protects by central station and by local/direct connected service.

...ultural Implement ...stry	INDUSTRY CODE 10	C. S. COUNT	DC LA COUNT	TOTAL COUNT
...ers and Threshers	SUB CODE 11	12	2	14
...ors	SUB CODE 12	15		15
... Machinery (General)	SUB CODE 13	46	6	52
... Equipment	SUB CODE 14	5	1	6
...ry Equipment	SUB CODE 15	12	2	14
... Equipment	SUB CODE 16	20	5	25
...s	SUB CODE 17	1	1	2
...ills	SUB CODE 18	3		3
...rs	SUB CODE 19	12	1	13
	TOTALS	126*	18*	144*

...ment Industry	INDUSTRY CODE 20	C. S. COUNT	DC LA COUNT	TOTAL COUNT
...on Picture Theatres	SUB CODE 21	49	3	52
...tres - Legitimate	SUB CODE 22	50	1	51
...on Picture Studios	SUB CODE 23	35	6	41
...ement Parks and Expositions	SUB CODE 24	23	2	25
... Tracks	SUB CODE 25	10	2	12
...iums	SUB CODE 26	11	1	12
...toriums	SUB CODE 27	16	3	19
...ing and Billiards	SUB CODE 28	71	26	97
...r	SUB CODE 29	69	8	77
	TOTALS	334*	52*	386*

...obile and ...ssories Industry	INDUSTRY CODE 30	C. S. COUNT	DC LA COUNT	TOTAL COUNT
...obile Manufacturers	SUB CODE 31	52	8	60
... and Upholstery	SUB CODE 32	41	8	49
...obile Dealers	SUB CODE 33	138	13	151
..., Clutches, Carburetors	SUB CODE 34	328	45	373
...ks and Busses	SUB CODE 35	62	2	64
...cycles	SUB CODE 36	6	4	10
...or Manufacturers	SUB CODE 37	33	2	35
... Accessories	SUB CODE 38	394	83	477
...rs	SUB CODE 39	135	35	170
	TOTALS	1,189*	200*	1,389*

...rage	INDUSTRY CODE 40	C. S. COUNT	DC LA COUNT	TOTAL COUNT
...tilleries	SUB CODE 41	51	10	61
...eries	SUB CODE 42	92	11	103
... Drinks	SUB CODE 43	157	33	190
... and Liquor Stores	SUB CODE 44	994	285	1,279
...eries	SUB CODE 45	19	4	23
...ars	SUB CODE 49	67	21	88
	TOTALS	1,380*	364*	1,744*

[fol 5113]

Building Material	INDUSTRY CODE 50	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Cement	SUB CODE 51	18	5	23
Brick and Tile	SUB CODE 52	35	6	41
Stone Work	SUB CODE 53	12	1	13
Roofing Materials	SUB CODE 54	50	4	54
Wallboards	SUB CODE 55	7	2	9
Asbestos Products,Acoustical	SUB CODE 56	14	1	15
Plaster, Lime, Gypsum & Supplies	SUB CODE 57	18	2	20
Architectural and Draftsmen	SUB CODE 58	23		23
Others	SUB CODE 59	115	24	139
	TOTALS	292*	45*	337*

Chemical Industry	INDUSTRY CODE 60	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Chemical Companies & Labs.	SUB CODE 61	397	45	442
Sulphur and Tar Products	SUB CODE 62	18	3	21
Plastics,Celluloid,Cellophane	SUB CODE 63	128	13	141
Alcohol,Ammonia,Naphtha	SUB CODE 64	15	4	19
Industrial Dyes	SUB CODE 65	16	1	17
Acids and Alkalies	SUB CODE 66	11	1	12
Industrial Gases	SUB CODE 67	66	9	75
Explosives,Dynamite & Ammunition	SUB CODE 68	8	4	12
Others	SUB CODE 69	125	16	141
	TOTALS	784*	96*	880*

Clothing	INDUSTRY CODE 70	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Dresses and Suits	SUB CODE 71	934	162	1,096
Coats and Robes	SUB CODE 72	163	27	190
Suits	SUB CODE 73	729	202	931
Undergarments	SUB CODE 74	95	36	131
Sweaters and Jackets	SUB CODE 75	76	5	81
Uniforms	SUB CODE 76	57	10	67
Others	SUB CODE 79	498	127	625
	TOTALS	2,552*	569*	3,121*

Coal and Ice	INDUSTRY CODE 80	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Coal Mines and Collieries	SUB CODE 81	1		1
Ice Plants	SUB CODE 82	10	3	13
Coke	SUB CODE 83	3		3
Coal Dealers	SUB CODE 84	39		39
Others	SUB CODE 89	9		9
	TOTALS	62*	3*	65*

5114]

munication	INDUSTRY CODE 90	C. S. COUNT	DC LA COUNT	TOTAL COUNT
ephone	SUB CODE 91	60	11	71
egraph	SUB CODE 92	24	1	25
io and Television	SUB CODE 93	54	9	63
ers	SUB CODE 99	20	7	27
	TOTALS	158*	28*	186*

truction	INDUSTRY CODE 100	C. S. COUNT	DC LA COUNT	TOTAL COUNT
ractors	SUB CODE 101	109	18	127
es,Derricks,Steamshovels	SUB CODE 102	34	2	36
ctural Steel and Iron (Girders)	SUB CODE 103	57	3	60
ting Equipment (Drills)	SUB CODE 104	40	5	45
ges	SUB CODE 105	2	2	4
ers	SUB CODE 109	33	1	34
	TOTALS	275*	31*	306*

ume Accessory	INDUSTRY CODE 110	C. S. COUNT	DC LA COUNT	TOTAL COUNT
elry and Jewelers	SUB CODE 111	1,934	481	2,415
and Furriers	SUB CODE 112	630	72	702
and Millinery	SUB CODE 113	32	6	38
rdashery	SUB CODE 114	127	23	150
s and Boots	SUB CODE 115	256	73	329
es	SUB CODE 116	19	7	26
ery	SUB CODE 117	70	19	89
ons,Buckles,Lace,Embroidery	SUB CODE 118	41	7	48
ers	SUB CODE 119	44	30	74
	TOTALS	3,153*	718*	3,871*

and Sundry	INDUSTRY CODE 120	C. S. COUNT	DC LA COUNT	TOTAL COUNT
icine & Pharmaceutical	SUB CODE 121	889	374	1,263
ital Supplies	SUB CODE 122	20	2	22
h Washes & Antiseptics	SUB CODE 123	3	1	4
umes,Cosmetics,Beauty	SUB CODE 124	109	11	120
s,Disinfectants,Deodorants	SUB CODE 125	69	2	71
cal & Surgical Supplies	SUB CODE 126	54	6	60
al Supplies	SUB CODE 127	39	5	44
rmets & Brushes,Combs	SUB CODE 128	34	4	38
ers	SUB CODE 129	195	68	263
	TOTALS	1,412*	473*	1,885*

[fol. 5115]

Electrical Equipment	INDUSTRY CODE 130	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Electric Motors, Generators	SUB CODE 131	164	35	199
Batteries, Wet and Dry	SUB CODE 132	40	3	43
Lighting Fixtures & Equipment	SUB CODE 133	132	6	138
Electrical Appliances & Supplies	SUB CODE 134	516	83	599
Insulators	SUB CODE 135	21	2	23
Wire, Cable, Conduit, etc.	SUB CODE 136	108	11	119
Electronics	SUB CODE 137	29	10	39
Others	SUB CODE 139	416	58	474
	TOTALS	1,426*	208*	1,634*

Farm Products	INDUSTRY CODE 140	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Feed and Grain	SUB CODE 141	171	16	187
Milling, Flour Mills	SUB CODE 142	79	15	94
Seeds	SUB CODE 143	22	1	23
Fertilizer	SUB CODE 144	66	6	72
Insecticides, Fungicides	SUB CODE 145	8		8
Others	SUB CODE 149	25	13	38
	TOTALS	371*	51*	422*

Financial Industry	INDUSTRY CODE 150	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Banks, Private Bankers	SUB CODE 151	1,032	644	1,676
Pawn Shops & Brokerage Houses	SUB CODE 152	145	23	168
Building & Loan Associations	SUB CODE 153	333	36	369
Others	SUB CODE 159	137	13	150
	TOTALS	1,647*	716*	2,363*

Food Products	INDUSTRY CODE 160	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Biscuit Companies & Bakeries	SUB CODE 161	186	42	228
Grocery Stores	SUB CODE 162	1,137	499	1,636
Dairies	SUB CODE 163	140	33	173
Sugar, Salt, Spices, Corn Starch	SUB CODE 164	67	9	76
Extracts and Flavorings	SUB CODE 165	22	1	23
Candy, Gum, Confections, Ice Cream	SUB CODE 166	208	30	238
Canneries	SUB CODE 167	127	30	157
Fresh Vegetables & Fruits	SUB CODE 168	36	8	44
Others	SUB CODE 169	115	33	148
	TOTALS	2,038*	685*	2,723*

[5116] niture	INDUSTRY CODE 170	C. S. COUNT	DC LA COUNT	TOTAL COUNT
olstered Furniture	SUB CODE 171	258	42	300
s and Mattresses	SUB CODE 172	153	12	165
les and Chairs	SUB CODE 173	53	8	61
l Furniture	SUB CODE 174	30	5	35
d and Fibre Furniture	SUB CODE 175	6		6
ks and Cabinets	SUB CODE 176	61	12	73
ers	SUB CODE 179	268	70	338
	TOTALS	829•	149•	978•

lities (Gas, Electric Water Companies)	INDUSTRY CODE 180	C. S. COUNT	DC LA COUNT	TOTAL COUNT
er Companies	SUB CODE 181	42	4	46
ar Works	SUB CODE 182	11	2	13
ctric Generating Companies	SUB CODE 183	8	1	9
(Natural and Artificial)	SUB CODE 184	27	6	33
ge Disposal	SUB CODE 185	13	1	14
trating Plants	SUB CODE 186	1		1
ers	SUB CODE 189	19	4	23
	TOTALS	121•	18•	139•

dware and Tool	INDUSTRY CODE 190	C. S. COUNT	DC LA COUNT	TOTAL COUNT
ls	SUB CODE 191	468	71	539
sehold Hardware	SUB CODE 192	143	50	193
s,bolts,Nails,Staples,Screws	SUB CODE 193	139	15	154
ing and Fences	SUB CODE 194	15	1	16
rearms	SUB CODE 195	13	6	19
ks,Keys,Knives,Cutlery	SUB CODE 196	20	2	22
lders	SUB CODE 197	5	1	6
den Implements	SUB CODE 198	13	7	20
ers	SUB CODE 199	146	22	188
	TOTALS	982•	175•	1,157•

ting,Plumbing and ntilating	INDUSTRY CODE 200	C. S. COUNT	DC LA COUNT	TOTAL COUNT
naces	SUB CODE 201	82	10	92
ves	SUB CODE 202	28	6	34
iators	SUB CODE 203	10	3	13
shings,Pittings,Pipes,Valves	SUB CODE 204	247	29	276
throom Fixtures	SUB CODE 205	24	6	30
lers	SUB CODE 206	27	3	30
Conditioning & Ventilating	SUB CODE 207	78	10	88
e Extinguishers	SUB CODE 208	17		17
ers	SUB CODE 209	71	11	82
	TOTALS	584•	78•	662•

[fol. 5117]

Hotel, Club and Restaurant	INDUSTRY CODE 210	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Hotels (Supplies, Equipment)	SUB CODE 211	192	23	215
Fraternal Organizations & Clubs	SUB CODE 212	176	53	229
Inns, Taverns, Bars, etc.	SUB CODE 213	322	172	494
Restaurants	SUB CODE 214	243	78	321
Fountain & Bar Equipment	SUB CODE 215	11	1	12
Apartment Houses	SUB CODE 216	12		12
Others	SUB CODE 219	28	4	32
	TOTALS	984*	331*	1,315*

Household Supplies and Appliances	INDUSTRY CODE 220	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Floor Coverings	SUB CODE 221	142	15	157
Screens, Shades and Drapes	SUB CODE 222	61	13	74
Wallpaper	SUB CODE 223	18	3	21
Washing Machines, Ironers	SUB CODE 224	22	1	23
Regrigerators	SUB CODE 225	40	8	48
Vacuum Cleaners, brooms, etc.	SUB CODE 226	30	5	35
Kitchen Equipment	SUB CODE 227	21	2	23
Radios, Phonographs, etc.	SUB CODE 228	125	28	153
Others	SUB CODE 229	91	12	103
	TOTALS	550*	87*	637*

Institutions	INDUSTRY CODE 230	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Schools, Colleges, etc.	SUB CODE 231	186	50	236
Museums, Historical Buildings, etc.	SUB CODE 232	133	27	160
Hospitals, Clinics, etc.	SUB CODE 233	237	48	285
Churches, Monasteries, etc.	SUB CODE 234	87	28	115
Libraries	SUB CODE 235	28	3	31
Asylums, Orphanages, etc.	SUB CODE 236	77	15	92
Jails, prisons, reformatories	SUB CODE 237	14	3	17
Others	SUB CODE 239	74	12	86
	TOTALS	835*	186*	1,021*

Industrial and Musical Instrument	INDUSTRY CODE 240	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Meters, Thermometers, etc.	SUB CODE 241	35	4	39
Clocks and Watches	SUB CODE 242	28	10	38
Gauges, Measuring Instruments, etc.	SUB CODE 243	73	6	79
Pianos and Harps	SUB CODE 244	14	2	16
Organs	SUB CODE 245	5	4	9
Stringed, Brass, Wind Instruments	SUB CODE 246	32	5	37
Thermostats	SUB CODE 247	7		7
Others	SUB CODE 249	64	14	78
	TOTALS	258*	45*	303*

[illegible] and Steel	INDUSTRY CODE 250	C. S. COUNT	DC LA COUNT	TOTAL COUNT
[illegible]ries & Iron Castings	SUB CODE 251	262	23	285
[illegible] Furnaces	SUB CODE 252	2		2
[illegible]ng Mills	SUB CODE 253	10		10
[illegible]late Mills	SUB CODE 254	11	1	12
[illegible]rcing Rods, Bar Steel, Rails	SUB CODE 255	70	6	76
[illegible]ings	SUB CODE 256	43	2	45
Iron Pipe	SUB CODE 257	22		22
Ore Mines	SUB CODE 258	1		1
[illegible]rs .	SUB CODE 259	255	21	276
	TOTALS	676*	53*	729*

[illegible]ry, Cleaning and [illegible]ing	INDUSTRY CODE 260	C. S. COUNT	DC LA COUNT	TOTAL COUNT
[illegible]ry	SUB CODE 261	299	49	348
[illegible]ers and Pressers	SUB CODE 262	186	98	284
[illegible]rs	SUB CODE 269	48	12	60
	TOTALS	533*	159*	692*

[illegible]er and Leather [illegible]ucts	INDUSTRY CODE 270	C. S. COUNT	DC LA COUNT	TOTAL COUNT
[illegible] and Tanning	SUB CODE 271	81	10	91
[illegible]s, Suitcases, etc.	SUB CODE 272	55	3	58
[illegible]ss and Saddlery	SUB CODE 273	9		9
[illegible]s and Belting	SUB CODE 274	23	5	28
[illegible]rs	SUB CODE 279	73	9	82
	TOTALS	241*	27*	268*

[illegible]er Industry	INDUSTRY CODE 280	C. S. COUNT	DC LA COUNT	TOTAL COUNT
[illegible] Mills	SUB CODE 281	21	4	25
[illegible]ng Mills	SUB CODE 282	35		35
[illegible]work (Lumber)	SUB CODE 283	181	19	200
[illegible] and Crates	SUB CODE 284	47	6	53
[illegible] Flooring	SUB CODE 285	12	1	13
[illegible]ers	SUB CODE 286	20	10	30
[illegible]erage	SUB CODE 287	24		24
[illegible]rs	SUB CODE 289	119	18	137
	TOTALS	459*	58*	517*

[fol. 5119]

Machine Industry	INDUSTRY CODE 290	C.-S. COUNT	DC-LA COUNT	TOTAL COUNT
Factory Machinery & Equipment	SUB CODE 291	338	34	
Factory Engines, Turbines	SUB CODE 292	35	1	
Presses and Stamping Machinery	SUB CODE 293	41	8	
Hydraulic Equipment	SUB CODE 294	39	5	
Pumps and Compressors	SUB CODE 295	59	13	
Elevators and Conveyors	SUB CODE 296	54	4	
Others	SUB CODE 299	251	41	
	TOTALS	817*	106*	

Department Stores and Mail Order Companies	INDUSTRY CODE 300	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Department Stores & Warehouses	SUB CODE 301	1,640	421	
Mail Order Companies	SUB CODE 302	48	9	
Others	SUB CODE 309	103	23	
	TOTALS	1,791*	453*	

Meat Industry	INDUSTRY CODE 310	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Stock Yards	SUB CODE 311	29	1	
Slaughter Houses and Abattoirs	SUB CODE 312	24	5	
Packing Plants	SUB CODE 313	144	17	
Meat Distributing Plant	SUB CODE 314	54	2	
Others	SUB CODE 319	58	14	
	TOTALS	309*	41*	

Manufactured Nonferrous Metal Products	INDUSTRY CODE 320	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Aluminum Products	SUB CODE 321	88	14	
Copper	SUB CODE 322	33	2	
Tin	SUB CODE 323	106	34	
Lead	SUB CODE 324	41	1	
Zinc	SUB CODE 325	9	-2	
Nickel	SUB CODE 326	4		
Alloys	SUB CODE 327	204	17	
Electroplating, Galvanizing, etc.	SUB CODE 328	87	5	
Others	SUB CODE 329	242	18	
	TOTALS	814*	93*	

INDUSTRY CODE 330		C. S. COUNT	DC LA COUNT	TOTAL COUNT
ufactured and etallic Products				
ss (FlatGlass,Bottles,etc.)	SUB CODE 331	174	14	188
nware and Pottery	SUB CODE 332	10	4	14
ches	SUB CODE 333	14		14
dles	SUB CODE 334	10		10
ks	SUB CODE 335	8		8
dge (Twine,Rope,Jute,etc.)	SUB CODE 336	36	3	39
e	SUB CODE 337	14	1	15
sives,Polishes,Polishers	SUB CODE 338	42	3	45
er	SUB CODE 339	99	18	117
	TOTALS	427*	43*	470*

INDUSTRY CODE 340		C. S. COUNT	DC COUNT	TOTAL COUNT
ing,Smelting and ining				
ing (other thanIron & Coal)	SUB CODE 341	4	1	5
lting	SUB CODE 342	53		53
ining	SUB CODE 343	29	1	30
ers	SUB CODE 349	14		14
	TOTALS	100*	2*	102*

reational Facilities	INDUSTRY CODE 350	C. S. COUNT	DC LA COUNT	TOTAL COUNT
tographic Supplies	SUB CODE 351	239	36	275
rellas	SUB CODE 352	9		9
es and Toys	SUB CODE 353	103	15	118
letic Goods & Sporting	SUB CODE 354	136	41	177
ligious Equipment & Supplies	SUB CODE 355	9	2	11
eting Cards	SUB CODE 356	180	29	209
ers	SUB CODE 359	260	48	308
	TOTALS	936*	171*	1,107*

ice Supplies and ipment	INDUSTRY CODE 360	C. S. COUNT	DC LA COUNT	TOTAL COUNT
pewriters,Recording Equipment	SUB CODE 361	37	5	42
kkeeping and Tabulating Mach.	SUB CODE 362	18	5	23
les,Filing Equipment	SUB CODE 363	16	3	19
s,Pencils,Pins,Clips	SUB CODE 364	31	1	32
fes	SUB CODE 365	14	1	15
h Registers,Check Protectors	SUB CODE 366	6	2	8
licating Machines	SUB CODE 367	14	1	15
ers	SUB CODE 369	64	1	65
	TOTALS	202*	17*	219*

[fol. 5121]

Paint and Supplies	INDUSTRY CODE 370	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Paints	SUB CODE 371	278	18	296
Varnish and Shellac	SUB CODE 372	44		44
Stains	SUB CODE 373	1		1
Enamels and Lacquers	SUB CODE 374	31	1	32
Paints Removers and Thinners	SUB CODE 375	3		3
Paint Brushes, Supplies	SUB CODE 376	24	2	26
Artists Paints and Water Colors	SUB CODE 377	4	1	5
Others	SUB CODE 379	38	7	45
	TOTALS	425*	29*	454*

Paper and Paper Products	INDUSTRY CODE 380	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Pulpwood	SUB CODE 381	36	4	40
Writing Paper, Stationery	SUB CODE 382	94	13	107
Business Paper	SUB CODE 383	70	8	78
Newspaper and Magazine Paper	SUB CODE 384	9	2	11
Wrapping Paper, Boxes, etc.	SUB CODE 385	352	42	394
Tissue Paper	SUB CODE 386	6	1	7
Absorbent and Blotting Papers	SUB CODE 387	3		3
Paper Plates, Cups, Straws, etc.	SUB CODE 388	64	11	75
Others	SUB CODE 389	230	18	248
	TOTALS	864*	99*	963*

Petroleum	INDUSTRY CODE 390	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Gasoline	SUB CODE 391	70	2[illegible]	99
Oil Refineries	SUB CODE 392	30	4	34
Oil Tanks	SUB CODE 393	22	1	23
Grease and Graphite	SUB CODE 394	12		12
Lubricating Oil	SUB CODE 395	41	1	42
Crude and Fuel Oil	SUB CODE 397	66	2	68
Others	SUB CODE 399	73	5[illegible]	[illegible]
	TOTALS	3[illegible]4*	94*	[illegible]

Printing and Publishing	INDUSTRY CODE 400	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Newspapers and Magazines	SUB CODE 401	136	24	160
Publishers	SUB CODE 402	104	16	120
Book Binderies	SUB CODE 403	35	4	39
Printers	SUB CODE 404	258	19	277
Linotypers	SUB CODE 405	10		10
Lithographers	SUB CODE 406	112	6	118
Engravers	SUB CODE 407	26	4	30
Printing, Presses, Equipment, etc.	SUB CODE 408	60	3	63
Others	SUB CODE 409	111	7	118
	TOTALS	852*	83*	935*

5122]	INDUSTRY CODE 410	C. S. COUNT	DC LA COUNT	TOTAL COUNT
rnment Agencies, ldings and Services				
t Houses	SUB CODE 411	24	3	27
,County,etc. Buildings	SUB CODE 412	161	26	187
racks	SUB CODE 413	25	14	39
ories	SUB CODE 414	8		8
s (U.S. Government)	SUB CODE 415		1	1
t Offices	SUB CODE 416	3	2	5
ers	SUB CODE 419	143	85	228
	TOTALS	364•	131•	495•

l Estate	INDUSTRY CODE 420	C. S. COUNT	DC LA COUNT	TOTAL COUNT
ice Buildings	SUB CODE 421	450	31	481
t Buildings	SUB CODE 422	1,519	10	1,529
ers	SUB CODE 429	498	28	526
	TOTALS	2,467•	69•	2,536•

idences	INDUSTRY CODE 430	C. S. COUNT	DC LA COUNT	TOTAL COUNT
vate Homes,Residences	SUB CODE 431	242	137	379
ers	SUB CODE 439	13	14	27
	TOTALS	255•	151•	406•

ber Industry	INDUSTRY CODE 440	C. S. COUNT	DC LA COUNT	TOTAL COUNT
es	SUB CODE 441	235	52	287
ber Accessories	SUB CODE 442	55	10	65
ber Hose	SUB CODE 443	17		17
es	SUB CODE 444	7	1	8
canizing	SUB CODE 445	3		3
ers	SUB CODE 449	80	14	94
	TOTALS	397•	77•	474•

[fol. 5123]

Services	INDUSTRY CODE 450	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Advertising, Sales, etc.	SUB CODE 451	50	5	55
Undertakers, Embalming, etc.	SUB CODE 452	63	7	70
Fire Insurance, Life, etc.	SUB CODE 453	204	24	228
Florists, Decorators, etc.	SUB CODE 454	45	7	52
Protection Service	SUB CODE 455	4	1	5
Others	SUB CODE 459	183	47	230
	TOTALS	549*	91*	640*

Textile	INDUSTRY CODE 460	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Cotton Mills and Goods	SUB CODE 461	67	38	105
Woolen Mills and Goods	SUB CODE 462	105	8	113
Silk Mills and Goods	SUB CODE 463	35	3	38
Rayon Mills and Goods	SUB CODE 464	13	1	14
Flax and Linen	SUB CODE 465	18	4	22
Felt and Flannels	SUB CODE 466	14	1	15
Bleaching, Dyeing & Printing	SUB CODE 467	65	4	69
Others	SUB CODE 469	145	21	166
	TOTALS	462*	77*	539*

Tobacco	INDUSTRY CODE 470	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Cigarettes	SUB CODE 471	177	47	224
Cigars	SUB CODE 472	104	14	118
	SUB CODE 475		1	1
	SUB CODE 472	5	2	7
Chewing Tobacco	SUB CODE 473	3		3
Snuff	SUB CODE 474	4		4
Smoking Pipes	SUB CODE 475	5		5
Humidors	SUB CODE 476	1		1
Others	SUB CODE 479	104	16	120
	TOTALS	403*	80*	483*

Transportation	INDUSTRY CODE 480	C. S. COUNT	DC LA COUNT	TOTAL COUNT
Aviation	SUB CODE 481	104	15	119
Railroads, Railroad Stations	SUB CODE 482	67	2	69
Railroad Equipment & Supplies	SUB CODE 483	20	3	23
Steamship Companies, Boats, etc.	SUB CODE 484	52	8	60
Steet Railways, Interubans	SUB CODE 485	19	2	21
Ferries	SUB CODE 486	3		3
Bus Lines, Taxi Companies	SUB CODE 487	20	1	21
Other	SUB CODE 489	184	17	201
	TOTALS	456*	47*	503*

[illegible] housing Industry	INDUSTRY CODE 490	C. S. COUNT	DC LA COUNT	TOTAL COUNT
rs, Wharves	SUB CODE 491	162	7	169
inal Warehouses, etc.	SUB CODE 492	820	87	907
Storage	SUB CODE 493	104	11	115
ehold Storage	SUB CODE 494	104	15	119
ages	SUB CODE 495	79	15	94
hles	SUB CODE 496	4		4
ers	SUB CODE 499	558	41	599
	TOTALS	1,831*	176*	2,007*

k Industry	INDUSTRY CODE 500	C. S. COUNT	DC LA COUNT	TOTAL COUNT
k Yards	SUB CODE 501	178	15	193
te Paper	SUB CODE 502	61	3	64
te Rags	SUB CODE 503	55	4	59
p-Metals	SUB CODE 504	254	12	266
ers	SUB CODE 509	18	1	19
	TOTALS	566*	35*	601